

Volume 78 Number 1 2000

CUR-H06095-10-KP980

Public Administration

an international quarterly

Articles

The tangled webs of Westminster and Whitehall
COLIN HAY AND DAVID RICHARDS

MI 6's Requirements Directorate integrating Intelligence into
the machinery of British central government
PHILIP H J DAVIES

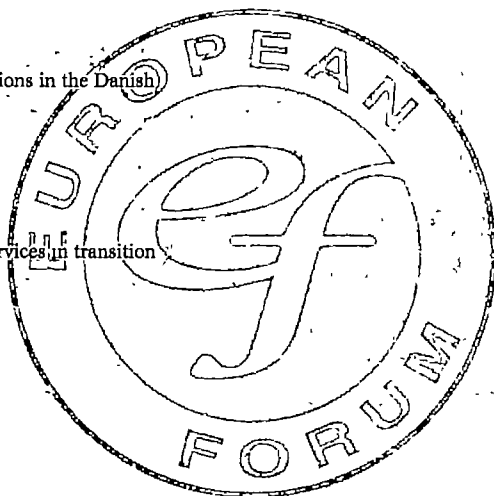
European Forum

A comparative perspective on executive development trends
in 11 European countries
MOSHE MAOR

Exploring contracts as reinvented institutions in the Danish
public sector
CARSTEN GREVE

Public Management

Implementing 'best value', local public services in transition
STEVE MARTIN



EDITORIAL INFORMATION

Managing Editor: Professor R.A.W. Rhodes
Address: Department of Politics
University of Newcastle
Newcastle-upon-Tyne
NE1 7RU
UK
Phone Number: +44 (0) 191 222 5288
Fax Number: +44 (0) 191 222 5069
Email Address: r.a.w.rhodes@newcastle.ac.uk

Deputy Editors:

European Forum Editor: Professor Walter Kickert
Address: Department of Public Administration
Erasmus University
PO Box 1738
3000 DR
Rotterdam
The Netherlands
Phone Number: +31 10 408 2146
Fax number: +31 10 408 9099
Email Address: kickert@fsw.eur.nl

Public Management and Notes Editor: Dr Bill Jenkins
Address: Darwin College
University of Kent at Canterbury
Canterbury
CT2 7NY
UK
Phone Number: +44 (0) 1227 827 537
Fax Number: +44 (0) 1227 824 014
Email Address: w.i.jenkins@ukc.ac.uk

Review Editor: Professor Peter Bogason
Address: Department of Social Science
Roskilde University
PO Box 260
DK 4000
Roskilde
Denmark
Phone Number: +45 4674 2000
Fax number: +45 4674 3080
Email Address: bogason@ruc.dk

Journal Manager: Jean Frostick

CONTENTS

ARTICLES

The tangled webs of Westminster and Whitehall: the discourse, strategy and practice of networking within the British core executive

COLIN HAY AND DAVID RICHARDS

MI 6's Requirements Directorate: integrating Intelligence into the machinery of British central government

PHILIP H.J. DAVIES

Testing the limits of incrementalism: an empirical analysis of expenditure decisions by English local authorities, 1981-1996

GEORGE BOYNE, RACHEL ASHWORTH AND MARTIN POWELL

Contract budgeting

MARC ROBINSON

The changing nature of rationing in the UK National Health Service

LOUISE LOCOCK

Partnership and policy networks in rural local governance: homelessness in Taunton

PAUL CLOKE, PAUL MILBOURNE AND REBEKAH

WIDDOWFIELD

EUROPEAN FORUM

A comparative perspective on executive development: trends in 11 European countries

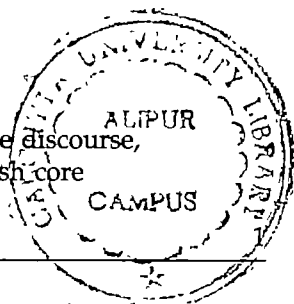
MOSHE MAOR

Exploring contracts as reinvented institutions in the Danish public sector

CARSTEN GREVE

Are you being served? The responsiveness of public administration to citizens' demands: an empirical examination in Israel

ERAN VIGODA



29

51

75

91

111

135

153

165

Expenditure inflexibility in the state budget: the fiscal policy latitude of the Council of State in Finland PENTTI MEKLIN; JUHA LINNAVUORI AND JUKKA NUMMIKOSKI	193
---	-----

PUBLIC MANAGEMENT

Implementing 'best value': local public services in transition STEVE MARTIN	209
--	-----

CORRESPONDENCE

Encounters with the Public Accounts Committee: a response to Brian Landers RT HON ROBERT SHELDON, MP	229
---	-----

A reply BRIAN LANDERS	231
--------------------------	-----

REVIEWS

Teaching public administration in Spain: a review article IGNACIO MOLINA AND CÉSAR COLINO	233
--	-----

The study of regulation: entering a mid-life crisis? A review article OLIVER JAMES	241
---	-----

Alan Lawton, <i>Ethical management for the public services</i> LENNART LUNDQUIST	245
---	-----

Richard Heeks (ed.), <i>Reinventing government in the information age. International practice in IT-enabled public sector reform</i> STAVROS ZOURIDIS	246
--	-----

David Beetham and Christopher Lord, <i>Legitimacy and the European Union</i> ERIK ODDVAR ERIKSEN	247
---	-----

European Institute of Public Administration: http://www.eipa.nl/ PETER BOGASON	250
---	-----

BOOKS RECEIVED (UK list)

NOTES FOR CONTRIBUTORS

CONTENTS

ARTICLES: The ESRC Whitehall Programme: the changing nature of British central government

- A guide to the ESRC's Whitehall Programme, 1994-1999
R.A.W. RHODES 251
-

- Regulation of government: has it increased, is it increasing, should it be diminished?
CHRISTOPHER HOOD, OLIVER JAMES AND COLIN SCOTT 283
-

- Re-assessing the role of departmental cabinet ministers
DAVID MARSH, DAVID RICHARDS AND MARTIN J. SMITH 305
-

- Regulation inside government: public interest justifications and regulatory failures
OLIVER JAMES 327
-

- The governance narrative: key findings and lessons from the ESRC's Whitehall Programme
R.A.W. RHODES 345
-

EUROPEAN FORUM

- Politicians and interactive decision making: institutional spoilsports or playmakers
E.H. KLIJN AND J.F.M. KOPPENJAN 365
-

- The dynamics of decentralization and recentralization
JØRGEN GRØNNEGAARD CHRISTENSEN 389
-

- Developments in policy analysis and evaluation in Israeli public administration
IRIS GEVA-MAY AND AHARON KFIR 409
-

- Introducing purchaser/provider separation in the Catalan health administration: a budget analysis
RAQUEL GALLEGÓ 423
-

REVIEWS

- Teaching public administration in Italy and the Netherlands:
a review symposium
MIRIAM LIPS AND RODOLFO LEWANSKI 443
- New institutionalism and organizational theory: a review article
JEAN-CLAUDE THOENIG 455
- Christopher Hood, *The art of the state: culture, rhetoric and public
management*
RICHARD J. STILLMAN II 461
- Christine Bellamy and John A. Taylor, *Governing in the information
age*
LAWRENCE PRATCHETT 463
- Michael Foley, *The politics of the British constitution*
TERENCE DAINTITH 464
- Terence Daintith and Alan Page, *The executive in the constitution:
structure, autonomy and internal control*
GAVIN DREWRY 465
- Bridget M. Hutter, *Compliance: regulation and environment*
CHRISTOPHER HOOD 467
- Colin Pilkington, *The civil service in Britain today*
DAVID RICHARDS 468
- Peter Self, *Rolling back the market: economic dogma and political choice*
JOHN STEWART 470
- Fidelma White and Kathryn Hollingsworth, *Audit, accountability
and government*
JOSIE BROOKS 471
- Gerry Stoker (ed.), *The new management of British local governance*
STEVE LEACH 473
- Simon Domberger, *The contracting organization. A strategic guide to
outsourcing*
ANITA NIEMI-IILAHTI 475
- Mary Zey, *Rational choice theory and organizational theory: a critique*
BJÖRN ROMBACH 476
- David Wilkinson and Elaine Appelbee, *Implementing holistic
government: joined up action on the ground*
VERNON BOGDANOR 478
- Links of Links: Governments on the WWW, [http://www.gksoft.com/
govt/en/](http://www.gksoft.com/govt/en/) Richard Kimber's Political science resources, [http://www.psr.
kee.le.ac.uk/](http://www.psr.kee.le.ac.uk/) Polis: <http://www.polis.net/>
PETER BOGASON 479

Evan M. Berman, <i>Productivity in public and nonprofit organizations. Strategies and techniques</i>	
JØRGEN GRØNNEGAARD CHRISTENSEN	480
M.J.F. Goldsmith and K.K. Klausen (eds.), <i>European integration and local government</i>	
THEO A.J. TOONEN	481
Fergus Carr and Andrew Massey (eds.), <i>Public policy in the new Europe. Eurogovernance in theory and practice</i>	
PETER BURSENS	482

NOTES FOR CONTRIBUTORS

CONTENTS



ARTICLES

- Changing the culture of a hospital: from hierarchy to networked community
PAUL BATE 485
-

- Contemporary governance and local public spending bodies
ALAN GREER AND PAUL HOGGETT 513
-

- Food safety regulation and the conflict of interest: the case of meat safety and *e. coli* 0157
RICHARD SCHOFIELD AND JEAN SHAOUL 531
-

- 'Accountability': an ever-expanding concept?
RICHARD MULGAN 555
-

- Government within governance: network steering in Yorkshire and the Humber
IAN BACHE 575
-

- Labour's modernization of local government
JOSIE BROOKS 593
-

EUROPEAN FORUM

- Contract regimes and reflexive governance: comparing employment service reforms in the United Kingdom, the Netherlands, New Zealand and Australia
MARK CONSIDINE 613
-

- At the Commission's discretion: cartelpushing and fining infringements under the EU's restrictive practices policy
LEE MCGOWAN 639
-

- The prefect and state reform
NICOLE DE MONTRICHER 657
-

Quality standards in the public sector: differences between Italy and the UK in the Citizen's Charter initiative LUCA LO SCHIAVO	679
---	-----

PUBLIC MANAGEMENT

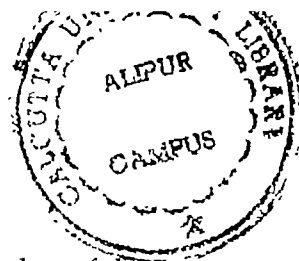
From great expectations to hard times? Managing equal opportunities under New Public Management ROSIE CUNNINGHAM	699
---	-----

REVIEWS

John Stewart, <i>The nature of British local government</i> BRIAN BRISCOE	715
Ricard Gomà and Joan Subirats (eds.), <i>Políticas Públicas en España</i> SUSANA BORRÁS	716
Larry L. Orr, <i>Social experiments. Evaluating public programs with experimental methods</i> SIGNY IRENE VABO	718
Adrienne Héritier, <i>Policy-making and diversity in Europe. Escape from deadlock</i> MORTEN EGEBERG	720
Pradip N. Khandwalla, <i>Revitalizing the state. A menu of options</i> VOLKER FÜRST	721

COMMUNICATIONS

ANNUAL REPORT 1999	723
BOOKS RECEIVED (European list)	
NOTES FOR CONTRIBUTORS	



CONTENTS

ARTICLES

'Regulation run mad': the Board of Trade and the loss of the
Titanic

IAIN McLEAN AND MARTIN JOHNES

729

The emergence of multi-inspectorate inspections: 'going it alone is
not an option'

ENID MORDAUNT

751

Policy networks and policy learning: UK economic policy in the
1960s and 1970s

HUGH PEMBERTON

771

Managing the budgetary process in a hung council

STEVE LEACH AND SUE CHARTERIS

793

Transport policy paradigms at the local level: the Norwich inner
ring road

JOHN GREENAWAY AND ANDREW GRANTHAM

815

Policy network creation: the case of energy efficiency

DAVE TOKE

835

Progressive regimes, partnerships and the involvement of local
communities: a framework for evaluation

MIKE SMITH AND MIKE BEAZLEY

855

EUROPEAN FORUM

Top civil servants under contract

PER LÆGREID

879

Europeanization, Whitehall culture and the Treasury as
institutional veto player: a constructivist approach to economic
and monetary union

KENNETH DYSON

897

Local government modernization in Germany: between incrementalism and reform waves <i>HELLMUT WOLLMANN</i>	915
--	-----

Models for research into decision-making processes: on phases, streams and decision-making rounds <i>GEERT R. TEISMAN</i>	937
---	-----

PUBLIC MANAGEMENT

Groups and groupwork in public administration <i>LYNTON ROBINS AND JOHN GREENWOOD</i>	957
--	-----

Between organizations and institutions. Legitimacy and medical managers <i>GORDON MARNOCH, LORNA McKEE AND NICOLA DINNIE</i>	967
--	-----

REVIEWS

Tony Verheijen (ed.), <i>Civil service systems in Central and Eastern Europe</i> <i>HOWARD ELCOCK</i>	989
--	-----

Steve Leach and David Wilson, <i>Local political leadership</i> <i>G.W. JONES</i>	990
--	-----

Steve Wilks, <i>In the public interest: competition policy and the Monopolies and Mergers Commission</i> <i>WYN GRANT</i>	991
--	-----

INDEX

NOTES FOR CONTRIBUTORS

ARTICLES

THE TANGLED WEBS OF WESTMINSTER AND WHITEHALL: THE DISCOURSE, STRATEGY AND PRACTICE OF NETWORKING WITHIN THE BRITISH CORE EXECUTIVE

COLIN HAY AND DAVID RICHARDS

In this paper we identify and seek to resolve a certain paradox in the existing literature on networks and networking. Whilst earlier policy network perspectives have tended to emphasize the structural character of networks as durable, dense and relatively static organization forms, the more recent strategic network literature emphasizes the flexible, adaptive and dynamic quality of networking as a social and political practice. However, neither perspective has yet developed a theory of network formation, evolution, transformation and termination. In this paper, we seek to rectify this omission, advancing a 'strategic relational' theory of network dynamics based on a rethinking of the concept of network itself. We illustrate this perspective with respect to the policy process centred in and around Westminster and Whitehall, drawing on a series of semi-structured interviews with ministers and officials from four departments.

INTRODUCTION

In recent years, there has been a proliferation of academic literature on policy networks. Though originally concentrating on traditional centres of power, in particular, the policy-making arena of central government, the scope of this literature has, in an era of governance, broadened considerably. The result is a dynamic and disparate literature focusing, variously, on: the heightened mobility of capital through ever-increasing financial globalization; the growing importance of trans-national political interventions

Colin Hay is a Senior Lecturer in the Department of Political Science and International Studies at the University of Birmingham and David Richards is a Lecturer in the Department of Politics at the University of Liverpool.

Public Administration Vol. 78, No. 1, 2000 (1-28)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

in a period of regional trading blocs and free-trade areas; and the increasing significance of public-private, cross-sectoral and trans-local strategic alliances and partnerships. This latter interest has arisen in response to such dynamics as economic decentralization and privatization. Networks, within this new literature are reflective of the contexts within which they emerged; they tend to be highly flexible, volatile, adaptive, strategically innovative, and dynamic.

For political scientists, this broadening of the scope of the understanding of networks presents considerable theoretical, analytical and methodological challenges. In particular, it has tended to render somewhat problematic the pervasive depiction of networks in the literature on (central) government as institutionally dense, cumbersome and slow moving. This sits uneasily with the emphasis placed in the new governance literature on networks as flexible and dynamic strategic alliances in a near constant state of flux. In light of such developments, we propose a rethinking of the concept of (policy) network widely deployed in political science and public administration, arguing that existing approaches have given insufficient attention to the dynamic process of network evolution and transformation. We illustrate this, perhaps counter-intuitively, by examining the policy process centred in and around Westminster and Whitehall – arguably the origin of such a static conception of networks in the first place. In so doing, we suggest the need for a far greater emphasis on the discourse or paradigm of networking and on the strategic content of networking as practice and process. Such a strategic approach to networking (reflecting the inherently strategic content of networking itself) places greater emphasis on the evolution and transformation of network structures at the core executive level, their flexibility and adaptability to changing external circumstances and the processes by which common strategic agendas are shaped and reshaped in the light of perceived success or failure.

1 THE NETWORK CONCEPT: DEFINITIONS, DESCRIPTIONS, AND CONTEXTUALIZATIONS

At present, there appears to be something of an inconsistency within the network literature. Those who examine networks as part of a global process convey the impression of the dynamic and ever-changing nature of networks. Yet, within the narrower terrain of individual nation states and, in particular, in the analysis of British central government, networks are often portrayed as much more static, indeed torpid phenomena. If we are to understand this seeming divergence in the network literature – a condition of moving beyond this unfortunate dualism – it is first necessary that we turn our attention to the simple, yet crucial question, what is a network?

Unsurprisingly perhaps, there is much at stake in our answer to this question – more so perhaps because the term ‘network’ is not merely an academic abstraction, but also an important lay and practitioner concept. Thus, during the course of the semi-structured interviews on which we

draw in this paper, individuals within the political élite frequently referred to their participation in the policy-making process in terms of involvement in [or sometimes exclusion from] the 'network'. This presents us with a choice as to strategies of definition:

- Strategy 1: To impose an abstract, analytical definition which might tightly demarcate a subject area and inform an account of inter-organizational relations;
- Strategy 2: To reflect in definitional terms what is appealed to in practitioner (and/or lay) discourse when a set of practices and/or relationships is referred to as a 'network'.

Though the two strategies may, in fact, converge on a similar definition, the distinction is nonetheless highly significant. There have been numerous (often highly commendable) attempts to specify an analytical definition of 'network'. Yet networks in such schemas are invariably presented as prefixed, structured settings (see for instance Atkinson and Coleman 1992; Coleman and Skøgstad 1990; Kickert, Klijn and Koppenjan 1997; Knoke 1990; Kooiman 1993; Marsh and Smith 1995; Powell 1990; Richardson and Jordan 1979; Rhodes 1988, 1990; Rhodes and Marsh 1992; Smith 1993; van Waarden 1992). Moreover, virtually no attention is afforded the actual discourse of networking by such rigid (if impressive) analytical frameworks (for a rare, however partial, exception see Cooke and Morgan 1993, pp. 562–3; see also Hay 1999a).

In what follows, our aim is to begin to attempt to rectify this persistent omission and to consider the implications of so doing for the definition and understanding of the network phenomenon. Our approach will be to adopt a discursive and strategic approach to networks. This will be applied to case studies drawn from networks centred in and around the British core executive. In so doing, we draw predominantly on information from a series of semi-structured interviews. Our case studies are broadly based on evidence from over 150 interviews with ministers and civil servants past and present from four departments: the Department of Social Security, the Home Office, the Department of Trade and Industry and the now defunct Department of Energy. Owing to the disparate nature of these four departments, we would argue that the evidence gleaned from our case studies provides a broad, generalizable insight into the policy process within the core executive. Although it is clear that the empirical evidence is limited to only one particular network mode and is illustrative, it is our hope that those examining alternative network modes will find some use in the approach we have adopted.

The dominance of the former definitional strategy within the existing literature has led to the emergence of a series of distinctive approaches to networks, the most prominent being the 'policy network approach' (Atkinson and Coleman 1992; Coleman and Skøgstad 1990; Rhodes 1988,

1990; Rhodes and Marsh 1992; Smith 1993; for an important critique of the theoretical status of this perspective see Dowding 1995, and for a significant advance upon earlier work within this paradigm see Marsh and Smith 2000; Marsh 1999). Despite its many (and well-documented) analytical strengths, this perspective clearly illustrates two characteristic weaknesses of a strategy which analytically 'fixes' the network concept as the basis from which to proceed towards a distinctive 'network theory' of the policy-making process.

- (1) The tendency to conflate theory and description: advocates of the policy networks approach have tended to assume that in defining a range of phenomena as policy networks, in mapping the contours of such network forms and in detailing the internal operation of such network practices, they have established a distinctive perspective, a unique theoretical approach to policy making in its own right. Yet, in as much as the content of such 'theory' is dependent upon description, it is tempting to conclude that the policy network approach is less a theory or perspective (far less an explanation), so much as a theoretically neutral attempt to introduce a (once) new and (still) significant analytical concept to the study of the policy-making process. (For a recent recognition of this and an attempt to provide theoretical underpinnings for a distinctive, dialectical theory of policy networking see Smith 1993, Marsh and Smith 2000; cf. Hay 1999a.)
- (2) The reification of network structure: a second, and more significant, weakness in both the policy networks approach (despite some recent revisions) and also in more formal network analysis has been a tendency to concentrate upon mapping the contours of the network structure at the expense of considering the process and practice of networking (see for instance Blau 1982; Borgatti and Everett 1992; Freeman 1979; Knoke 1990; Knoke and Kuklinski 1982; Knoke *et al.* 1996; Laumann and Knoke 1987; Laumann and Pappi 1976; Markowsky *et al.* 1988; Mintz and Schwartz 1985). The result has been a certain tendency to treat the network as a static and invariant structure – i.e. a nexus of structural locations and a configuration of positional connections – which can be elucidated, described and mapped. (For a similar critique see Mizruchi 1994; for recent attempts to transcend the limitations of such approaches see Smith 1993; Marsh and Smith 1995.) We argue that this is a poor analytical substitute for what is, in effect, a constantly moving target. The limitations of such an approach, particularly at the core executive level, are ever more cruelly exposed by the recent proliferation of modes of networking in and around central government. This, we suggest, has been driven, at least in part, by the perception that networks, by virtue of their very dynamism, offer the possibility of strategic flexi-

bility and adaptability in a context of contingency, instability, and vicissitude.

The predominance of such an approach in the study of the policy-making process at the core executive level is reflected in the fact that little or no consideration has been given to the observable sequence of network formation, development and termination. This, we argue, can be seen to comprise a loose cyclical process. Below, we describe these stages and locate them within the context of a British General Election cycle. Whether such an electoral cycle pertains in a given context and for a given network is, of course, an empirical question – an issue to which we return below. The positing of such an electoral cycle to network evolution is, then, an essentially heuristic device.

We believe this particular framework is especially appropriate with a change in government for the first time in almost twenty years. Indeed, it is ironic to note that, it was in 1979 that Richardson and Jordan first sought to shift attention away from traditional, institutional analysis to introduce the concept of policy networks. Since then, British political scientists have, perhaps understandably, tended to ignore the importance of electoral cycles, or more specifically, the (potentially) causal relationship between changes in government and policy networks dynamics. Clearly, such dynamics are likely to be more pronounced in certain networks than others. Nevertheless, as interviews we conducted after May 1997 reveal, the recent change in government had brought a general change in the consultative process for ministers and civil servants alike. As one contemporary senior Home Office bureaucrat commented:

There has been a fundamental change in relation to lobby groups. Presently, there is a much greater willingness to listen and discuss with pressure groups than under the last government. The Home Office for example, did become very closed and it was difficult to talk to people outside during the last five years. This present [Labour] government is much more open and willing to consult.

Similarly, an official in the DTI observed that the change in government had impacted on the normal 'network' of consultative groups with whom he had regular contact. He went on to suggest, however, that this might be interpreted as evidence of a government wishing to be seen to be listening at the outset of its first spell in power for almost two decades:

I think the present government is much more open, inclusive and accommodating. This discernible increase in consultation is through choice not necessity. But I think we are in a transitional stage at the moment when the ministers are very keen to see lots of people and listen to a wide range of views. Yet, it will be interesting to see how long their present, open instinct will be sustained.

Ours is only a cursory glance at the way in which a change in government has affected the network process. Yet, it is clear that since Labour's electoral victory, a realignment in network constellations has and is occurring. Moreover, the establishment of numerous task forces covering a wide panoply of policy areas has the potential to present a considerable challenge to the authority of some of the more traditional and well-established policy networks. An adequate assessment of the impact of the new Labour government would require, however, a far more disaggregated approach than we can hope to present here. Such an analysis would need to prove capable of determining what is new, what is old and what has changed in a variety of policy arenas.

A final preliminary remark is perhaps in order. In the following section, we present a simple and unapologetically simplified electoral model of network evolution and transformation. In so doing, we might be accused of imposing a certain rigidity upon the network process (in the form of a 'natural' succession of evolutionary stages), thereby falling foul of our initial criticism of the existing network literature. To a certain extent, this is a charge to which we must plead guilty: any model necessarily simplifies its subject matter. Our (partial) defence is that in acknowledging the contingency of network dynamics and the heuristic nature of the dynamic schema we present, we not only introduce a largely unacknowledged temporal aspect into a consideration of networks, but also present an open-ended view of network evolution. Although a series of stages are identified (heuristically) and although these stages are presented in a chronological order, we posit no inevitable logic or process driving networks from one stage to the next. The strength and utility of the model, we suggest, rests on an empirical observation: a succession of transitory stages which often combine to form a cyclical process.

Towards an electoral model of networking

These stages can be depicted as follows:

(i) The pre-network stage – in which the opposition party consults with a range of actors including interest groups, think-tanks and academics on issues and policy areas in formulating a programme for government. In the same way that the existing government and civil service act as gatekeepers to policy networks, so, in opposition, senior party apparatchiks act as gatekeepers in this pre-network, consultative stage.

(ii) Network formation or modification – a process in which a newly elected government is responsible for realigning what may be an already existing policy network. At this stage, some interest groups may have their 'insider' status removed, others may have it newly conferred on them, while others may find their existing status enhanced or diminished. Clearly, the extent to which change occurs in a network will vary from department to department, as Kenneth Baker illustrated in an interview:

The Home Office was very much tied into their client groups – police, prisons, probation officers for example. The Department of Trade and Industry were rather less tied into their client groups, although they did have client groups. Yet they were less tied into them than the Home Office because the police service has to go on come what may. A company in trouble does not have to go on come what may. So, there was a greater distance in the DTI, although there were client interests, they were not so incestuous with their interests.

Alternatively, although much less frequently, one may witness the establishment of a completely new policy network (see Smith 1993). Adopting the network continuum developed by Rhodes and Marsh (1992, p. 186), it is at the issue network end of the typology that one observes the greatest prevalence of network formation. In the post-war period, the formation of the nuclear energy network provides an illustration of the much rarer phenomenon of network formation at the policy community pole of the typology. As Smith (1993) notes, by their very nature, policy communities tend to display much more stable characteristics than issue networks. It should be noted that although network formation is here traced to a change in government, the introduction of new networks in government, though perhaps rare, is by no means unexceptional. Network formation, then, need not necessarily be associated with electoral cycles.

(iii) Networking as practice – involving a series of consultative exercises occurring between ministers, civil servants, specialist advisers and insider interest groups. In this process, new policies are formulated and existing policies reviewed. (For a detailed accounts of this stage of the process see Smith, Richards and Marsh, forthcoming 'a'.) For example, Douglas Hurd explained in an interview that while he was Home Secretary, he would consult:

A wide range of people – from my own ministers, special advisers, people like John Wheeler the Chairman of the Select Committee, people outside such as David Faulkner, as well as a number of lobby group representatives. There was no shortage of ideas, so we used to have a meeting of about a dozen people and tease out ideas. Leon Brittan did that before me, even though he was more of a centralizer than I was.

(iv) Network transformation – this can occur in two different ways: firstly, by the formal adoption and implementation of a particular policy arising from stage (iii) (though cf. Rhodes and Marsh 1992, pp. 257–61; Smith 1993, pp. 93–7). With respect to central government, this is often the legislative and implementation stage of the policy process (see Colebatch 1998). This stage has a crucial bearing on the existing network, as it may affect and directly alter the strategic interests and intentions of the actors involved in

the network. Secondly, and as a corollary, network adaptation can also occur through strategic learning on the part of network participants as they revise their goals in the light of changing perceptions of what is feasible and desirable.

At this stage, the network may persist in its current form relatively unchanged for considerable periods of time. The network may now exhibit the characteristics attributed to it by more static approaches to network structure, form and function. Such comparative stability, however, may be challenged in one of three ways, precipitated by either endogenous or exogenous factors. In taking us to the next stage of network evolution, then, there are three potential scenarios.

(v) Network failure – in which the network comes to be seen as no longer serving its purpose and hence no longer viable in its current form. This, we suggest, is essentially (if not exhaustively) a matter of perception. Network failure, as we argue at greater length below, is likely to be highly contested by network participants often with rather different stakes and interests in the network process. It arises when network participants (whether unilaterally or multilaterally) identify a disparity between the goal of the network (as they perceive it) and network outcomes (both current and potential, as they perceive them); or

(vi) Network termination – in which the life span of the network is completed because the policy area has been, at least in the short to medium-term, resolved through legislation and implementation. Again, it is important to stress that network termination is much more likely to occur at the issue network end of the Rhodes-Marsh network continuum than at the policy community pole or, most frequently,

(vii) Network realignment – in which the development of the network takes on a new policy direction, often through exogenous pressure. As noted earlier, this frequently occurs as a result of a change in government which may significantly alter the context in which, and the terms by which, the participants interact strategically and hence the network itself. At this point, we would add a note of caution – a change in government need not necessarily result in such a transformation of the network environment. For example, in relation to Northern Ireland between 1971 and 1992 the policy network remained fairly static, despite the various changes in government during this period. However, as a now retired senior civil servant with high-ranking experience in the Northern Ireland Office informed us, the network changed dramatically mid-way through 1992.

The most interesting time was in the second half of 1992 through to about the end of 1994, when we could see that our strategy [the British

government's] of exclusive dialogue, political talks with the constitutional parties was probably not going to succeed. So do we actually try to improve what we had been playing with for a long time? We had to try and bring in the paramilitaries.

We would therefore err on the side of caution and argue for the need to disaggregate, assessing the extent of environmental change network by network, preferably, at the end/start of an electoral cycle. That aside, there are other types of exogenous pressure which can occur and also have a wholesale impact on almost all networks — the collapse of Bretton Woods (1972), the oil crisis (1973/4), the IMF crisis (1976) and Black Wednesday (1992) being obvious cases in point (see Richards and Smith 1997).

Network termination (and network failure leading to termination) clearly completes the evolutionary cycle, often indicating a change in governmental priorities or, indeed, a change in government. Accordingly, network termination is frequently associated with network formation elsewhere. Yet, if network termination indicates a completion of the cycle, both network realignment and network failure leading to modification, reveal an internal cycling and demonstrate the dynamic nature of the ongoing process of networking. This cyclical nature of networks is depicted in figure 1.

The above discussion demonstrates that if we are to make full use of the network concept within political science, then there is still much theoretical and empirical work to be done. In this paper, our aim is to suggest theoretical strategies for transcending the characteristic limitations of much existing network analysis as outlined above. The argument proceeds in two stages. The first section focuses on the largely ignored discourse of networking which leads us to suggest that: (i) we systematically reflect on the relationship between network discourse and also the practices of the 'actually existing networks' that are the referent of this discourse; (ii) we consider what

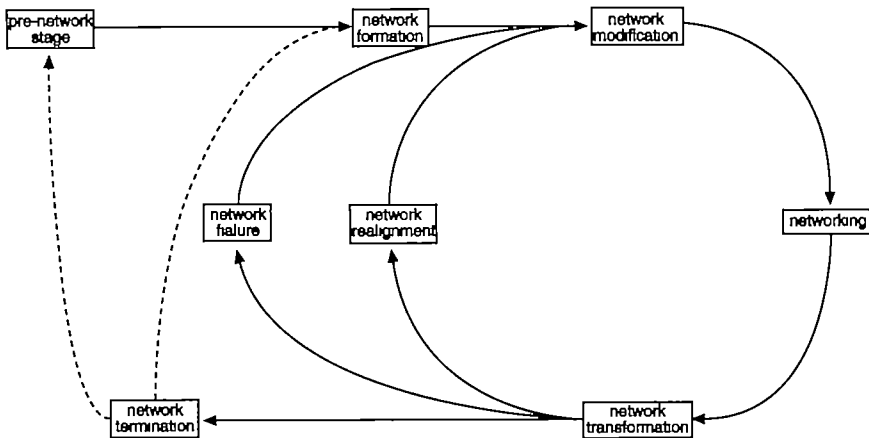


FIGURE 1 *Network evolution as a cyclical process*

is being conferred upon such a form of organization or co-ordination by lay actors when they speak of a network.

In the second section, we propose a dialectical or strategic-relational approach to networks (cf. Marsh and Smith 1995; Hay 1999a). This perspective does not so much offer a theory of (policy) networks as apply a theory of (collective) strategic action to the social practice of networking. Although this application is demonstrated through empirical evidence drawn from case studies at the core executive level, we would argue that our strategic-relational approach offers an heuristic tool which can be utilized in other network modes. Our approach seeks to contextualize networks through a broader account of the embeddedness of strategic social actors within contexts. Such contexts can be seen to favour certain strategies over others as the means of realizing strategic intentions and are accessed through particular (and always partial) understandings of the strategic terrain.

By viewing networking as merely one expression of collective strategic action, such a framework counters the tendency towards the reification of networks as structures and as mere configurations of structural locations. Accordingly, it places a far greater emphasis upon the element of dynamism which can be identified within network structures and the practices which recursively reconstitute them.

2 THE YARNS WE SPIN: THE DISCOURSE AND PRACTICE OF NETWORKING

Having pointed to the limitations of much existing work within the (policy) network paradigm, we return to our initial question of defining the network concept. In so doing, as noted above, it is important first to consider what it is that is being appealed to by lay actors when they refer to the conduct of their own action (or to that of others) as networking, or to forms of organization and co-ordination as networks. It is equally crucial that we do not simply conflate the rhetoric and reality of networking, particularly at a time when the 'network paradigm' (cf. Cooke and Morgan 1993) seems to be on the ascendancy and when the discourse of networking has become ever more pervasive. Accordingly, we must retain a clear distinction between network discourse on the one hand, and the practices and procedures which characterize what might be termed actually existing networks (i.e. those forms of organization and modes of governance referred to as 'networks') on the other.

This has important implications for how we define the network concept. For if we insist, in definition, upon a certain combination of tightly specified criteria as a condition of conferring 'network' status upon an organizational form, then we are likely to exclude many practices (and the structures through which they are effected) which are routinely referred to by their participants as 'networks'. Similarly, if we extrapolate from network discourse to formulate a definition based, say, on the self-understanding of self-professed network participants, then we are also likely to exclude from

the resulting set of networks, many of the organizational forms referred to (in part constitutively) by these very same participants as networks. Should we pursue either strategy, we are likely to be left with a set of networks which is a small sub-set of (or possibly an entirely independent set to) those organizational forms referred to as networks.

Furthermore, if we are to impose tightly defined strictures of the kind outlined above, then we might well find our contemporary interest in networks, even at the core executive level, waning somewhat. For it is likely that, by adopting a rigid definition of networks, one may overlook the personal interactive perspective and so ignore forms of inter-agency diplomacy and inter and intra-departmental relations. As Smith (1993, p. 65) notes: 'A policy network can exist at varying levels of government (national or local); in different policy areas (agricultural, industrial or health); or a subsector of policy (land drainage, chemical policy, community care) or even around particular issues'.

A cursory glance at Heclo and Wildavsky's (1974) study of the Treasury allows the reader to appreciate the diffuse and diverse levels in which networks function. Indeed, the very title of their book, *The Private Government of Public Money*, clearly impresses upon the reader, the often impenetrable means by which networks at the core executive level can operate. A more recent study of policy making within the core executive demonstrates that the degree of secrecy pervading the policy process remains similarly pronounced (see Smith, Richards and Marsh, forthcoming 'b'). In order to attempt to overcome such barriers to understanding the dynamics of networks we argue for the need to avoid rigidity in the use of the term. Furthermore, if our interest in such interpersonal and interorganizational relations is animated, at least in part, by a concern with the (lack of) correspondence between actually existing networks and the popular mythologies which surround them, then it is not a terribly productive strategy to dismiss all but the most ideal (and uninteresting?) networks from consideration. Direct network participants are often extremely skilled in deconstructing such network mythologies, as they switch with unconscionable ease between proffering a strategically motivated network discourse on the one hand and an unpacking of its convenient delusions on the other.

The logic of our argument is to move towards a minimal and inclusive definition of networks which accommodates the notion of ongoing flexibility. Such a definition must first allow us to consider as networks most (if not all) modes of co-ordination and organizational forms routinely referred to by direct participants and those excluded alike as networks (as well as a host of interactional forms not similarly understood). Yet, it must also allow us to evaluate, interrogate and deconstruct the somewhat mythical status ascribed to such networks in this naming process. Accordingly, it must depart from a mere catalogue of the properties ascribed to modes of organization by lay actors when they refer to them as networks, thereby facilitating a contrast between network rhetoric and reality. Such a mini-

malist definition might conceive of networks as modes of co-ordination of collective action characterized and constituted through the mutual recognition of common or complementary strategic agendas. Networks, within such an account, are strategic alliances forged around a common agenda (however contested, however dynamic) of mutual advantage through collective action. We would argue that at the core executive level, the key dynamic involved within a network, which may change over time, is power. This is constituted, in part, in relation to the notion of resource dependency (see also Marsh and Smith 1995). It should be noted that such a definition is readily generalizable beyond the core executive to a whole variety of alternative network modes.

Having formulated an operational definition of the network concept we should not, however, immediately turn our attention from the discourse of networking. For, we might suggest, the self-understanding of network participants as to the type of organizational conduct in which they are engaged is in part constitutive of the process and practice of networking. It is thus instructive to reflect upon the discourse(s) of networking as a clue to the nature of the networking process.

As a term with an ever-growing reach and influence beyond purely academic debate, 'network' is neither a neutral nor an uncontested concept. Indeed, as it is ever more widely deployed within organizational management, political and popular debate, it is seemingly an ever less neutral and an ever more contested description (more accurately ascription). On the one hand, the term network, when used by those participants with 'insider status' who accept the 'rules of the game', can often be understood as something akin to a justification of their actions. For example, by the mid-1980s, confidence in public order [based on legislation passed in 1936] was severely undermined by a catalogue of events, including the Blair Peach affair in 1979, the inner city riots of 1981 and unrest on picket lines during the Miners' Strike of 1984. The then Home Secretaries, first Leon Brittan (1983–85) and, subsequently, Douglas Hurd (1985–89), faced mounting pressure to reform the existing legislation. This was to lead to the 1986 Public Order Act, in which the Law Commission played a key role. The Commission's involvement was at the behest of a Grade 7 civil servant in the Home Office who was leading a team of fifteen responsible for drafting the legislation. Having studied the Law Commission's 1983 review of common law offences of riot, unlawful assembly and affray, the official felt that some positive input could be gained from a series of bilateral meetings between his policy team and representatives from the Commission. In an interview, the official noted that the Law Commission was surprised by the extent to which insider status was conferred upon them. Indeed, a member of the Commission stated that:

The Home Office, by taking a progressive and open attitude towards consultation, particularly in regard to our own organization, has ensured

the passage of a sound and workable legislative package. The extent of our involvement in the stages leading up to this Bill has established a precedent, but it is a relationship we would wish to continue to nurture with the Home Office.

In such contexts, the notion of a network is ascribed positive connotations, emphasizing such attributes as efficiency, flexibility and responsiveness. However, for those interested parties who, for whatever reason, are positioned on the outside of a particular network, the term is often used in a pejorative sense. Often those excluded will proffer accusations of a narrow, secretive, network 'clique' being operated which has a deleterious effect on the broad interests of the general public. This can be seen in the case of energy policy during the late 1970s to early 1980s. In particular, one might cite the sense of alienation which those involved in the Wave Energy Programme felt after their exclusion from the existing energy network following pressure on behalf of the established electricity technologies. Indeed, in 1982, Clive Grove-Palmer, the Wave Energy Programme Manager, resigned in disillusionment and exasperation at the actions taken by the Department of Energy towards wave power. His resignation was motivated by advice given by the then Chief Scientific Officer. Subsequently, those involved in the Wave Energy Programme viewed the established energy network with suspicion and enmity (see Watt 1998). In such examples, the term network may be used to conjure connotations of corruption, secrecy or financial impropriety.

3 THE WEBS WE WEAVE: A STRATEGIC APPROACH TO NETWORKING WITHIN THE CORE EXECUTIVE

All decisions to participate in networks are, in some sense, strategic – as, indeed, is the very process of networking itself. In what follows, our central contention is that if aspiring networkers, network initiates and hardened network participants alike, adopt a strategic approach to networking then, in seeking to understand the network phenomenon, we too should adopt a strategic approach. This might seem obvious enough. Yet, despite the proliferation of network talk in political science, public administration and business management circles, virtually no attention has been given to networking as strategic action – except, that is, for a fairly limited and practitioner-oriented management literature (see for instance Jarillo 1988; Ohmae 1989; Porter and Fuller 1986).

If networks are to be understood as strategic alliances forged around common agendas of mutual advantage through collective action, then it is clearly important that we rectify this omission and give due consideration to the generation, realization, adaptation, transformation and evolution of strategic agendas, interests and actions within shifting strategic contexts. Once again, a strategic approach to the network phenomenon would appear to be called for.

A strategic-relational approach (Jessop 1990; Hay 1995) certainly offers

the potential to transcend the artificial and polarizing dualism between structure and agency which finds itself reproduced in the network literature (for a powerful demonstration and critique see Marsh and Smith 1995). It does so by suggesting that, rather than consign ourselves to references to structure and agency which are, after all, merely theoretical abstractions, we concentrate instead upon the dialectical interplay of structure and agency in real contexts of social interaction. Thus, ultimately more useful than the abstract and arbitrary analytical distinction between structure and agency is that between strategic action on the one hand, and the strategically selective context within which it is formulated and upon which it impacts on the other. In other words, we need to understand what are the determining factors behind an individual or organizational selection of one particular option over another. Within such a perspective, networking is understood as a practice – an accomplishment on the part of strategic actors (or the organizations they nominally ‘represent’) – which takes place within a strategic (and strategically selective) context which is itself constantly evolving through the consequences (both intended and unintended) of strategic action.

Within such a conceptual schema, strategic actors (potential and actual networkers for our purposes) are situated within a strategic context with (perceived) strategic interests which might conceivably be advanced through network participation. Whether these actors would continue to think of such perceived desires as representative of their ‘true’ interests were they in fact realized can only ever be an empirical question. In this sense ‘interests’ are to some extent necessarily a question of perception (see Hay 1997). In formulating strategy to advance these interests, such actors can only rely upon:

- (i) incomplete (often wholly inadequate and demonstrably false) information in assessing current configurations of constraint and opportunity. For example, in his memoirs, Denis Healey (1989) argues that as Chancellor of the Exchequer, he became ‘boxed in’ by the advice he was receiving from his Treasury advisors. With hindsight, he contends that the misinformed and inaccurate projections emanating from the Treasury on the state of the British economy led to an unnecessary application for a large-scale loan from the IMF in 1976.
- (ii) more or less informed projections regarding the strategic motivations, intentions and likely actions of other significant players. For example, as part of their 1998 Crime and Disorder Bill, the current Labour government were engaged in legislation aimed at lowering the age of homosexual consent from eighteen to sixteen. They were well aware of the oft and well-rehearsed arguments of those interest groups opposing the legislation – the Conservative Family Campaign, Forward in Faith and the British Ex-Serviceman’s Bible Association, as well as those in support of change – Outrage and

Stonewall. Ironically, what they failed to take account of was the bellicose mood of the House of Lords over this particular clause of the Bill (see also Read, Marsh, and Richards 1994).

This raises two important points. First, cognitive access to the strategic contours of the relevant (network) context is mediated through perceptions, misperceptions and representations. Such perceptions may or may not enhance the ability of actors to realize their intentions, and in certain contexts may militate severely against their realization. Second, strategic action must be informed not only by representations whose accuracy can at best be an empirical question, but also by anticipated future scenarios. Strategic actors simply cannot assume some unchanging and immutable context within which cumulative strategic learning can occur. Thus, to some extent, networking (as strategic action informed by strategic learning) resembles playing golf during an earthquake – being able to map the contours of the fairway at one moment in time is not likely to prove a very useful guide to subsequent strategy.

This type of analysis, with its focus upon strategic action, strategic learning, and – above all – on the process of change can inform an account of networks and networking which is capable of transcending the characteristic tendency to reify network form and structure. Here, networks are conceived of as strategic alliances recursively reconstituted through the process and practice of networking. Accordingly, they are viewed as essentially dynamic and ongoing accomplishments on the part of networkers.

From the perspective of a potential networker, the structure of the network regime is strategically selective. It comprises all contextual factors relevant to the ability to pursue desired strategies and to realize strategic intentions through networking. Such factors might include: the nature of other potential network 'partners' and their perceptions of the organization in question; the internal structure of the organization and the degree of flexibility which this allows to those who 'network' on its behalf; political, economic and judicial constraints (such as the legality and illegality of specific forms of networking); and the social composition of the network (its degree of closure, rigidity and exclusiveness, its internal codes of conduct, and so forth).

From the perspective of an organization seeking to decide upon potential network partners, the strategically selective context is broader still, presenting:

- (i) the choice 'to network, or not to network' – though never an entirely irrelevant factor, potential participants in networks at the core executive level tend to find themselves involuntarily excluded rather more frequently than they choose to exclude themselves;
- (ii) a choice between potential network partners – for example, in the mid-1980s, the Conservative government faced growing opposition from a diverse constellation of interested groups, all opposed to the

introduction of the Community Charge. Yet, the official Labour Party, committed to seeing the repeal of the legislation through legal channels, chose not to align themselves with the anarchist organizations' Class War and Black Flag, who also wished to see the legislation repealed but through the use of illegal, direct action tactics. What this example demonstrates is that an actor may make an informed, strategic decision not to align itself with other actors despite shared immediate goals or interests. Decisions with whom to network, rely on (largely implicit) calculations of positive-sum gain for the actors involved. In particular, this can be seen in the case of Roy Jenkins as Home Secretary during the 1960s and the necessary, but uncomfortable alliance he discovered he would have to forge with one particular interest group: 'I found that the Association of Chief Police Officers impinged on what I wanted to achieve. I never looked on them as great allies. To be honest, I looked on them as potential enemies who had to be treated with tact to keep them in a semi-neutral, favourable position'.

- (iii) a choice of 'what to network about' – it may well be advantageous, for instance, for interest groups to lobby (with a view to being incorporated within existing networks) on matters not immediately proximate to their overriding concerns in order to enhance their strategic resources of successful networking in other related policy arenas;
- (iv) a choice of how much corporate or institutional 'sovereignty' to risk pooling in the network – this final point is of crucial importance, for example, to an organization faced with the prospect of having 'insider' status conferred on it, be it within a policy community or, say, a professional network. As noted earlier, 'insider' groups are located within a certain type of network because they are willing to accept the 'rules of the game' (see also Smith 1993, p. 61). Thus, although, the decision to enter may reflect an anticipated positive-sum game, the very persistence of the network itself requires a degree of consensus – and hence some sacrifice in terms of corporate or organizational 'sovereignty'. As interviews with contemporary Home Office officials indicate, under the present Labour government, the National Association for the Care and Rehabilitation of Offenders [NACRO] has found its status within the prison network enhanced. Yet, under the last Conservative government, NACRO also enjoyed 'insider' status, believing that by accepting the 'rules of the game' at a potential cost to its corporate sovereignty, its broader goals were more likely to be realized.

This strategic-relational approach suggests a dynamic conception of network evolution. Such a perspective can immediately be put to use in informing an account of the transformation of network forms, structures,

practices and procedures, guiding our reflections on four moments of network evolution: the pre-network stage; network formation; networking as practice; and network termination. It is to this task that we now turn.

Network formation, network recruitment

Network formation is rarely discussed (for important exceptions see Smith 1993; Benington and Harvey 1994). The assumption seems to pervade much of the existing literature that networks are always already present, always already pre-constituted. The question of their formation is thus frequently deferred. This is unfortunate. For if distinctive aspects of network formation and structure are to be explained (as opposed to merely elucidated, detailed and described), an understanding of the legacy and hence the very process of network formation is essential. Though networks are dynamic and adaptive strategic alliances, this evolution is nonetheless path dependent. Accordingly, network formation is highly significant in establishing network traits, characteristics and properties which may prove hard to shed, and may decisively influence subsequent evolutionary trajectories.

This process of network formation is depicted schematically in figure 2. For network formation to occur, a number of strategic and contextual factors must be present.

- (i) The recognition of the potential for mutual advantage through collective (as opposed to individual) action, i.e. a positive-sum game for all those participating in a particular network form;
- (ii) The recognition of the potential for enhancing the strategic capacities of participant organizations through the pooling of strategic resources (itself often dependent upon pre-established contexts of mutual exchange and communication, or on the activities of a 'lead' organization or network 'hegemon');
- (iii) The recognition and/or establishment of the conditions of network feasibility – it is one thing to recognize a collective interest or common agenda, it is another thing altogether for this to prove substantively feasible. Feasibility might here be considered further dependent upon: (a) a degree of geographical or communicative proximity between potential network partners; (b) a degree of shared cultural norms and values; as well as (c) the availability and/or willingness of organizations to devote resources of time, money and personnel to, and to devolve sovereignty to, networking.

If such criteria are satisfied, a network core can be said to have been established. Network formation, however, is not necessarily, thereby complete. Often, under the dominance of, or at least at the behest of, a lead organization – an emergent network hegemon – the recruitment of a range of further strategic partners (chosen by virtue of the strategic resources they can muster) is sought. This has been referred to elsewhere in terms of the establishment of a network core and periphery (Laumann and Knoke 1987)

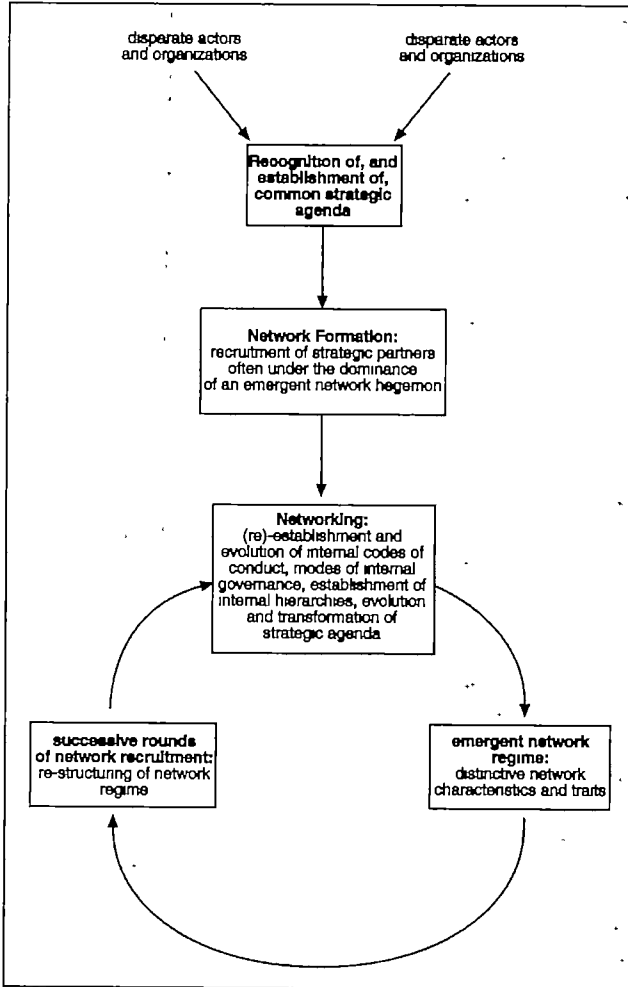


FIGURE 2 *Network formation, network recruitment*

or a primary and secondary community (Smith 1993). Here, we might think of the recruitment of strategic partners to Single Regeneration Budget (SRB) bids under the dominance of a lead organization – generally a local authority (on the composition of SRB bids see Mawson *et al.* 1995; see also Government Offices for the Regions 1994; Hogwood 1995). As SRB passes through successive rounds, such lead organizations (and indeed future lead organizations) will no doubt engage in a process of strategic learning, establishing for themselves an understanding of the array of strategic partners most likely to constitute a successful bid to procure governmental resources.

Network recruitment, however, is not merely a process associated with

network formation, but within dynamic networks is a near constant mechanism through which the network is reconstituted, reinvigorated and its strategic resources enhanced in response to changing circumstances. For example, in Britain, the almost perennial debate surrounding issues of constitutional reform [or lack of reform] throughout the twentieth century, ensures the continued existence of a series of powerful insider interest groups, each defending a particular position. These can be seen to include the House of Lords, the House of Commons and the Judiciary. However, with the election of a Labour government with commitments to reforming both Houses of Parliament, to the introduction of a new Freedom of Information Bill and to the devolution of power, not only to Scotland and Wales, but also to new regional, English assemblies, there has occurred a realignment and reinvigoration in the existing networks centred on constitutional reform. In particular, prior to their electoral victory, the Labour Party undertook a series of consultative exercises with Demos and the Constitution Unit. Since May 1997, the Constitution Unit, in particular, has been a key organization involved in providing informed input into the formation of legislation for reform. As a contemporary Home Office official observes:

Clearly, the [Labour] Government is pressing on with a demanding programme of legislation which will have a whole series of ramifications on the existing constitutional settlement. We have found that by talking to representatives from such organizations as the Constitution Unit, this has helped us sharpen focus on concerns across a whole series of debates.

After an initial phase of recruitment, the network can be regarded as constituted, becoming in turn a site for the practices and processes of strategic networking (and hence re-constitution). Emergent network traits and characteristics thus emerge and evolve as internal codes of conduct, modes of network governance, internal hierarchies, and cores and peripheries are all established and re-established in and through successive phases of (more or less intensive) network activity. Networks can be characterized in terms of their internal modes of governance, and their modes of coping with a range of problems integral to the network process. Chief amongst these is the question of co-ordination – the problem of how an array of often very different organizations and individuals with clearly divergent strategic intentions and motivations, criteria of success and failure, time-horizons, and strategic resources at their disposal can be cemented and drawn together around either: (i) a long-term common strategic agenda (in a network); or (ii) a short-term, goal-oriented strategic initiative (in a partnership). Here it is likely that other (non-network) modes of co-ordination will be drawn upon. These might include: (i) hierarchical dominance within the network; (ii) conciliation and compromise (itself somewhat closer to the network ‘ideal’); (iii) hegemonic struggles to impose a dominant conception of the ‘network-popular’ interest (cf. Gramsci 1971, p. 131); and/or (iv) various forms of strategic bartering such as threats of exclusion

to participants, and enticements to non-participants on inclusion. For example, in the late 1940s to early 1950s, successive British governments wished to diversify their options in the energy field, whilst also making the nuclear-military programme more cost effective. This resulted in the establishment of a new nuclear energy network which emerged on the tail of the then rapidly growing nuclear military network (see Gowing 1964; Watt 1998). By the mid-1960s, the United Kingdom Atomic Energy Authority (UKAEA) had established a hegemonic position within the nuclear energy network. Subsequently, it used this powerful position, not only to dominate its own specific policy network but, more broadly and in alliance with other established electricity technologies, it was able to emasculate or in some cases exclude other interest groups representing alternative energy sources from the wider energy network. It is interesting to note that in the course of our interviews with energy officials, the majority subscribed to the view that at the time they were not aware of any dominance by the UKAEA and it is only with reflection that they accept that may be the organization did hold an overly powerful position in relation to the department. As one retired energy official noted:

There were times when I was concerned that the advice I was providing my minister was rather dependent on the projections of the AEA. However, the advice I provided for my minister was, to the best of my knowledge, factually correct, and it is only now, with the passage of time, that I can see the strength of the AEA's arguments may have had certain undue influence.

Internal network dynamics

This type of analysis can be extended to inform an account of the evolution, transformation and ultimately termination of specific network forms. Once established, networks evolve through the renegotiation of the strategic agenda cementing the various partners in this constitutive strategic alliance. As the broader social, political, cultural and economic context within which networking occurs changes, the perceived strategic interests of individual network partners and the balance of strategic resources between them also changes. If the network is not to become obsolete, precipitating a premature disintegration and potential termination, then it must prove capable of adaptation to changing external conditions. This, in turn, is dependent on the ability to find new foundations for, and bases of, collective strategic action. Networks are transformed, then, in response to: perceptions of the changing external context; perceptions of network failure; or, indeed, the perceived realization of strategic goals (see figure 3). For example, Smith (1990, 1993) convincingly demonstrates that in the agricultural field, entry into the European Economic Community established a new *raison d'être* for the Ministry of Agriculture, Fisheries and Food – a department which was rapidly losing its identity and facing terminal decline. Further, EEC membership forced a dramatic realignment and strategic re-evaluation within

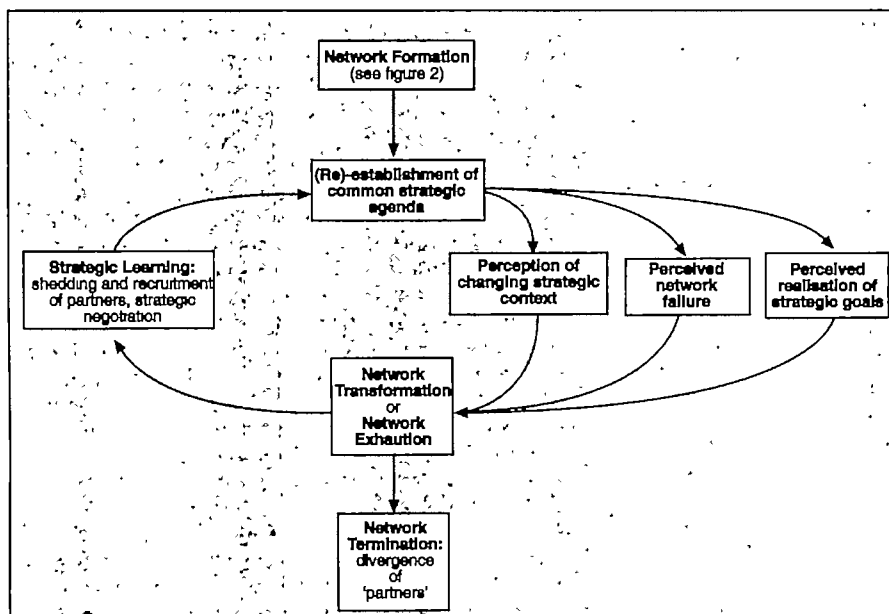


FIGURE 3 *Network evolution, transformation and termination*

the British agricultural policy community. As a now retired, senior DTI official who spent the final part of his career in MAFF noted:

Entry into Europe totally regenerated the MAFF. After all, we were the only department at the time who was operating a common policy. Going to Brussels on agricultural policy became highly significant. In MAFF, every decision that was taken of any significance was now taken in Brussels. In DTI, that was not the case.

In each of these scenarios, the basis for continued networking may be exhausted if a mutual recognition of the obsolescence of this strategic alliance is achieved. Of course, such a diagnosis may well be contested, resulting perhaps in a slow disintegration of the network regime, or in a shedding of network partners to leave a smaller derivative progeny network. If network exhaustion and, ultimately, termination is merely one possibility arising out of perceived success, failure or external change, then a more likely one is network transformation.

This may take various forms, from tinkering – the minor reconfiguration of the network and the rethinking of the strategies likely to advance the long-term (collective) strategic goals of its members – to the shedding of partners, the development of a new strategic agenda, and the wholesale modification of existing network hierarchies, practices and modes of conduct, i.e. the establishment of the parameters of a new network regime. A clear example of these various elements coming together can be demon-

strated in the area of economic policy during the early 1980s. During their first term in office, the Conservative government, broadly committed to a monetarist economic strategy, failed to curb inflation by controlling the money supply (in whichever guise). They subsequently adopted a programme of privatization aimed at cutting the PSBR and, in so doing, hoped to reduce inflation. It is clear that not only did a process of strategic learning occur in this context, but that, over time and with the decision to alter policy instruments, the actors involved in the economic network were also changed (see Pliatsky 1989; Lawson 1992; Rhodes and Marsh 1992; Dell 1997). As a senior Treasury official, who later worked in the DTI, observed:

Half-way through their [the Conservative administration's] first term in office it became clear that the original economic strategy was not working – inflation continued to rise. Lawson took over from Howe in 1983, a new ministerial team was brought in, a new permanent secretary had been appointed and we soon were asked to adopt a change in approach to economic policy – privatization was now firmly on the agenda.

Indeed, in an interview, Nigel Lawson confirmed that when he became Chancellor of the Exchequer, he also immediately changed his Treasury policy team, in order to install the type of officials he believed would be capable of driving through his redefined economic policy:

In the Treasury it was essential I promoted the right people. This is very important as you must get the right people into the key posts who at least understand what you are driving at . . . Promoting the ablest of the younger civil servants was an indispensable part of getting the changes which were necessary.

This example perhaps suggests that the concept of network failure (again, almost wholly absent from the existing literature, though see Miles and Snow 1992) deserves closer scrutiny and further attention. For, as pointed out above, the identification of network failure is not some uncontentious, uncontested and unanimous process of objectively assessing network performance from a neutral vantage point. All network participants have a strategic stake in network success, and in a particular understanding of what network success entails. These different perspectives and vantage points may, and often do, sow the seeds of subsequent failure within network regimes.

The immediate problem then of identifying network failure can be captured in the question, 'failure for whom?'. Failure for one organization, interest or actor within the network may well constitute and represent success for, and the success of, another. Indeed, (perceived) network success for one organization is not unrelated to its ability to seize and hegemonize the 'common' strategic agenda of the network, thereby subverting the collective interest for the particular interest. This, almost by definition, implies network failure from the vantage-point of other network 'partners', other

particular interests. For example, as Garnham and Knight (1994, p. 46) highlight, during the consultative process leading up to the 1991 Child Support Act, the Department of Social Security and, in particular, the Treasury (the two key gatekeepers to the network) ensured that the Child Poverty Action Group (CPAG) were almost completely marginalized. For the two departments, the CPAG's exclusion was in response to concerns over the potential financial implications of the Act. However, this was clearly not in the interests of the group itself or the 'clients' it represented.

This suggests that network failure is, crucially, a matter of perception. Yet we can take the analysis at least one stage further by identifying and distinguishing (at least analytically) between: (i) network failure – a situation in which the collective strategic agenda (constitutive of the network) is subverted in pursuit of a singular interest – illustrated by our earlier example of the UKAEA's dominant interest over wave power; and (ii) network crisis – a situation in which perceptions of network failure threaten the very continuity of the network (which might in turn be seen as a failure of the internal management of perceptions within the network) – this was clearly demonstrated in the example of Salmonella poisoning in the agricultural network community in the late 1980s.

Moreover, even where a common identification of network failure is reached, it must be emphasized, it is still necessarily a construction or representation as distinct from any simple reflection of the contradictions of the particular network form (cf. Hay 1995/96, 1996a, 1996b). The evolution of networks is thus mediated through constructions of failure which emerge and become hegemonic within the network and which may bear little relationship to the 'objective' contradictions of the regime itself.

Unweaving the web: network termination

For similar reasons, network termination may be a long drawn out process involving the whittling away of strategic partners and the gradual decline in influence of the network. The network form may well continue to linger on long after its strategic significance has been dissipated and the principal strategic attentions of its nominal participants directed elsewhere. By contrast, partnership termination tends to be more decisive and abrupt, as the need for a short-term, goal-oriented strategic alliance is exhausted by the less ambiguous success or failure in the realization of this goal. The (fairly unambiguous) failure, or indeed success, of a city's (or city partnership's) bid to stage the Olympic Games for instance, may well result in the instantaneous termination of the bid partnership. Yet it may also result in efforts to reconstitute the partnership in bidding for other prestige sporting events. Here we might think of Manchester's bid for the Commonwealth Games (see Peck 1995; Peck and Tickell 1995).

But we should not rule out the possibility of rapid network termination altogether. Here we might think of the influence of external shocks beyond the control of immediate network participants upon the very continuity of

the network. This could happen, for example, by structural re-organization, as witnessed in the late 1980s by the establishment of Next Steps Agencies. Clearly, the traditional networks which were established in the social and welfare fields prior to 1989, subsequently went through a dramatic process of realignment. By 1997, the Department of Social Security had hived-off over 98 per cent of its employees to its six agencies, retaining only a small number of policy makers within the core department itself. This fostered new network alliances, as interest organizations found their goals more likely to be achieved by networking with a newly created agency, be it the Benefits Agency or the Employment Agency, rather than the traditional headquarters of the DSS which remained in Whitehall. As a very senior official from the DSS observes:

The DSS is different to a lot of departments because it now has its own operational delivery arm. Indeed, that makes up nearly all of the department. Most of the department is out there delivering benefits, collecting contributions, assessing and paying child maintenance. The headquarters nowadays is tiny, only about 2 per cent of the department is in the headquarters. The rest is out there doing business. I think these changes have dramatically affected the way we do business and I think it makes us much more practical than other departments.

Alternatively, the establishment of new power bases may lead to the termination of an existing network. For example, although it is too early to draw any substantive conclusions from the Labour government's establishment of a myriad of new *ad hoc* policy task forces and advisory groups such as the Task Force on Youth Justice, Welfare-to-Work Task Force, NHS Efficiency Task Force and the Advisory Group on Competitiveness (see Daniel 1997), what we have witnessed is the creation of a series of alternative power bases across a whole range of policy fields each of which have received the patronage of the Prime Minister. Further, there has been an attempt to strengthen the centre (witness Jack Cunningham's appointment to the Cabinet Office and the report by the Cabinet Secretary, Richard Wilson on central government restructuring) in order to overcome the perceived problem of 'departmentalism'. The effect may well lead to wholesale strategic realignment of actor networks across Whitehall. As one contemporary senior official commented:

The power structures have changed and that makes it hard to conduct normal government business as you do not know who to turn to or who to see. It can be difficult when a government changes things as radically as has happened since the General Election. The machinery had been in place for 18 years and you used to know where to go on an issue or in order to process a decision. But now you just do not know how to get a decision any more – from Blair, Mandelson, Cunningham, Prescott, Irvine or who have you.

This poses the interesting question – will interest groups locked into existing policy networks based on the traditional centres of power in and around Whitehall departments find their needs more successfully realized through realigning with a new and potentially more powerful task force or a revamped Cabinet Office?

Finally, the outlawing of the practices which sustain many networks may well precipitate an abrupt ending, as may the deployment of state resources to strictly enforce laws (say, of insider dealing) that already prohibit network practices.

CONCLUSION

We began this paper by noting a certain tension and paradox within the developing literature on networks and networking. This, we suggested, manifested itself in terms of a contradiction between the earlier policy networks' perspective on the one hand and the more recent literature on cross-sectoral, non-governmental or trans-governmental networking on the other. The former body of literature tends to emphasize the structural character of networks, stressing network density, durability and torpidity, whilst the latter, by contrast, emphasizes the highly flexible, volatile, adaptive and dynamic character of networks as organizational forms. To a significant extent such seemingly conflicting depictions of networks reflect the rather different nature of the subjects of these two literatures (often intra-governmental and extra-governmental networks respectively). Yet, the developing literature on networks as dynamic and flexible arrangements does serve to highlight limitations within the policy network perspective – in particular, its failure to consider the mechanisms and processes through which network formation, evolution, transformation and termination occur. Thus, despite its emphasis on precisely such dynamics, the more recent literature on strategic networks also lacks a theory of network dynamism. In this paper, we have sought to begin to address this oversight, developing a strategic-relational approach to network evolution and transformation.

In advancing such a perspective we have drawn liberally on illustrative examples taken from the British core executive – an empirical arena closely associated with the policy networks literature. In so doing we hope to have demonstrated the utility of a perspective which emphasizes the strategic content of networking as a social and political practice and networks as dynamic institutional forms. Such an approach, we contend, is nonetheless equally applicable and operationalizable in the context of the more obviously dynamic network forms that are the subject of much recent analysis. Tangled webs, after all, may be woven just as easily beyond the corridors of Westminster and Whitehall.

ACKNOWLEDGEMENT

The authors would like to thank Bob Jessop, John L. Campbell, Dave Marsh and Martin J. Smith for their comments and suggestions. They would also

like to acknowledge the support of the ESRC (award nos. L311253032 and L124251023) for funding the research on which this paper is based.

REFERENCES

- Atkinson, M.M. and W.D. Coleman. 1992 'Policy networks, policy communities and the problems of governance', *Governance* 5, 154–80.
- Benington, J. and J. Harvey. 1994. 'Spheres or tiers? The significance of trans-national local authority networks', in P. Dunleavy and J. Stanyer (eds.), *Contemporary political studies* 1994. Belfast: Political Studies Association.
- Blau, P.M. 1982 'Structural sociology and network analysis: an overview', in P.V. Marsden and N. Lin (eds.), *Social structure and network analysis*. Beverley Hills, CA: Sage.
- 1994. *Structural contexts of opportunities*. Chicago, IL: University of Chicago Press.
- Borgatti, S.P. and M.G. Everett. 1992. 'The notion of position in social network analysis', in P.V. Marsden (ed.), *Sociological methodology* 1992. Oxford: Blackwell.
- Colebatch, H.K. 1998 *Policy*. Buckingham: Open University Press.
- Coleman, W.D. and G. Skogstad. 1990. 'Policy communities and policy networks: a structural approach', in W.D. Coleman and G. Skogstad (eds.), *Policy communities and public policy in Canada*. Toronto: Copp Clark Pitman.
- Cooke, P. and K. Morgan. 1993 'The network paradigm: new departures in corporate and regional development', *Environment and Planning D* 11, 543–64.
- Daniel, C. 1997. 'May the taskforce be with you', *New Statesman* 1 Aug.
- Dell, E. 1997. *The Chancellors: a history of the Chancellor of the Exchequer, 1945–90*. London: Harper Collins.
- Dowding, K. 1995. 'Model or metaphor? A critical review of the policy network approach', *Political Studies* 43, 136–68.
- Freeman, L.C. 1979 'Centrality in social networks. conceptual clarification', *Social Networks* 1, 215–39.
- Garnham, A. and E. Knight. 1994 *Putting the Treasury first: the truth about child support*. London: CPAG.
- Government Offices for the Regions. 1994. *Bidding guidance: a guide to funding for the single regeneration budget*. London: HMSO.
- Gowing, M. 1964 *Britain and atomic energy 1939–1945*. London: Macmillan.
- Gramsci, A. 1971. *Selections from prison notebooks*. London: Lawrence and Wishart.
- Hay, C. 1994 'Structural and ideological contradictions in Britain's Post-War Reconstruction', *Capital and Class* 54, 25–60.
- 1995 'Structure and agency holding the whip hand', in D. Marsh and G. Stoker (eds.), *Theories and methods of political science*. London: Macmillan.
- 1995/96. 'Rethinking crisis: narratives of the new right and constructions of crisis', *Rethinking Marxism* 8, 2, 60–76.
- 1996a *Re-stating social and political change*. Buckingham: Open University Press.
- 1996b. 'Narrating crisis: the discursive construction of the Winter of Discontent', *Sociology* 30, 2, 253–77.
- 1997. 'Divided by a common language: political theory and the concept of power', *Politics* 17, 1, 45–52.
- 1999a 'The tangled webs we weave: the discourse, strategy and practice of networking', in D. Marsh (ed.), *Comparing policy networks*. Buckingham: Open University Press.
- 1999b 'Marxism and the state: flogging a dead horse?', in A. Gamble, D. Marsh and T. Tant (eds.), *Marxism and the social sciences*. London: Macmillan.
- Hecho, H. 1978 'Issue networks and the executive establishment', in A. King (ed.), *The American political system*. Washington, DC: AEI.
- Hecho, H. and A. Wildavsky. 1974. *The private government of public money*. London: Macmillan.
- Hogwood, B. 1995. 'The integrated regional offices and the single regeneration budget', *Commission for Local Democracy*. Report 13, April.
- Jarillo, J.C. 1988 'On strategic networks', *Strategic Management Journal* 9, 31–41.
- Jessop, B. 1990 *State theory: putting capitalist states in their place*. Cambridge: Polity.
- Jordan, G. et al. 1994. 'Characterizing agricultural policy making', *Public Administration* 72, 505–26.

- Jordan, G. and J. Richardson. 1987. *Pressure groups and government in Britain*. Oxford: Clarendon Press.
- Kickert, W.J.M., E-H. Klijn and J.F.M. Koppenjan. 1997. *Managing complex networks: strategies for the public sector*. London: Sage.
- Knoke, D. 1990. *Political networks*. Cambridge: Cambridge University Press.
- Knoke, D. and J.H. Kuklinski. 1982. *Network analysis*. Beverly Hills, CA: Sage.
- Knoke, D. et al. 1996. *Comparing policy networks: labour politics in the US, Germany and Japan*. Cambridge: Cambridge University Press.
- Kooiman, J. (ed.) 1993. *Modern governance: new government – society, interactions*. London: Sage.
- Laumann, E. and D. Knoke. 1987. *The organizational state*. Madison, WI: University of Wisconsin Press.
- Laumann, E. and F.U. Pappi. 1976. *Networks of collective action: a perspective on community influence systems*. New York: Academic Press.
- Lawson, N. 1992. *The view from Number Eleven*. London: Bantam Press.
- Markowsky, B. et al. 1988. 'Power relations in exchange networks', *American Sociological Review* 53, 1, 220–36.
- Marsh, D. and M.J. Smith. 1995. 'The role of networks in an understanding of Whitehall: towards a dialectical approach' Paper presented at the ESRC Local Governance Programme's conference on Networks, University College Wales, Cardiff, May.
- . 2000. 'Understanding policy networks: towards a dialectical approach', *Political Studies* 48, 1, 4–21.
- Marsh, D. (ed.) 1999. *Comparing policy networks*. Milton Keynes: Open University Press.
- Mawson, J. et al. 1995. *The single regeneration budget: the stocktake*. Birmingham: Centre for Urban and Regional Studies, Birmingham University.
- Miles, R.E. and C.C. Snow. 1992. 'Causes of failure in network organizations', *California Management Review* 34, 4, 53–72.
- Mintz, B. and M. Schwartz. 1985. *Power structure of American business*. Chicago, IL: University of Chicago Press.
- Mizruchi, M.S. 1994. 'Social network analysis: recent achievements and current controversies', *Acta Sociologica* 37, 329–43.
- Ohmae, K. 1989. 'The global logic of strategic alliance', *Harvard Business Review* 67, 2, 143–54.
- Peck, J. 1995. 'Moving and shaking: business elites, state localism and urban privatism', *Progress in Human Geography*, 19, 16–46.
- Peck, J. and A. Tickell. 1995. 'Business goes local: dissecting the 'business agenda' in Manchester', *International Journal of Urban and Regional Research* 19, 1, 55–78.
- Platzky, L. 1989. *The Treasury under Mrs. Thatcher*. Oxford: Basil Blackwell.
- Porter, M. and M.B. Fuller. 1986. 'Coalition and global strategy', in M. Porter, eds., *Competition in global industries*. Harvard, MA: Harvard University Press.
- Powell, W. 1990. 'Neither markets nor hierarchy: network forms of organisation', *Research in Organisational Behaviour* 12, 74–96.
- Read, M., D. Marsh and D. Richards. 1994. 'Why did they do it? Voting on homosexuality and capital punishment in the House of Commons', *Parliamentary Affairs* 47, 3.
- Rhodes, R.A.W. 1988. *Beyond Westminster and Whitehall: the sub-central governments of Britain*. London: Unwin Hyman.
- . 1990. 'Policy networks: a British perspective', *Journal of Theoretical Politics* 2, 293–317.
- Rhodes, R.A.W. and D. Marsh. 1992. 'Policy networks in British politics: a critique of existing approaches', in R.A.W. Rhodes and D. Marsh (eds.), *Policy networks in British government*. Oxford: Clarendon Press.
- Richards, D. and M.J. Smith. 1997. 'How departments change: windows of opportunity and critical junctures in three departments', *Public Policy and Administration* 12, 2.
- Richardson, J. and G. Jordan. 1979. *Governing under pressure*. Oxford: Martin Robertson.
- Ripley, R. and G. Franklin. 1980. *Congress, the bureaucracy and public policy*. Homewood: Dorsey.
- Smith, M.J. 1990. *The politics of agricultural support in Britain*. Aldershot: Dartmouth.
- . 1993. *Pressure, power and policy: state autonomy and policy networks in Britain and the United States*. Hemel Hempstead: Harvester Wheatsheaf.
- Smith, M.J., D. Richards and D. Marsh (forthcoming a) *The changing role of central government*. London: Macmillan.
- . (forthcoming b) *Structured agency and agents of structure*. London: Macmillan.

- Waarden, F. van 1992 'Dimensions and types of policy network', *European Journal of Political Research* 21, 29-52
- Watt, R.N. 1998. 'Towards a synthesized network approach: an analysis of UK nuclear and renewable (wave) energy programmes 1939-1985' Unpublished Ph.D. Birmingham University of Birmingham

Date received 21 August 1996. Date accepted 7 December 1998.

MI 6'S REQUIREMENTS DIRECTORATE: INTEGRATING INTELLIGENCE INTO THE MACHINERY OF BRITISH CENTRAL GOVERNMENT

PHILIP H.J. DAVIES

The following article examines the relationship between the British Secret Intelligence Service (SIS, a.k.a. MI 6) and the machinery of central government, particularly departments of state and other agencies which employ information generated by the SIS. It is argued the main link between the SIS and its consumers in British government is the SIS's requirements 'side', embodied throughout most of the post-war era in the form of a Requirements Directorate. The article argues that the Requirements mechanism operates as a line of communication between the SIS and its consumers separate from the Cabinet Office Joint Intelligence Organisation (JIO), although there is overlap and interdependency between the two architectures. This discussion traces the development of the 'requirements side' from the interwar period up to the post-Cold War era using information from archival sources and a programme of interviews with former UK intelligence officials. It is further argued that the structure and process of the SIS 'requirements side' has developed and changed as a consequence of changes in the structure of demand in the machinery of British government, including adapting to the increasingly central role of the JIO. However, despite that increasingly central role of the JIO, the 'requirements side' has continued to serve as the first point of contact between the SIS and its customers in Whitehall.

INTRODUCTION

One of the least examined areas of British public administration is that of the intelligence and security services. For the most part, academic research on these organizations has tended to be part and parcel with defence and foreign policy (Beesley 1978; Bennett 1979, 1989; Hinsley *et al.* 1979, 1981, 1984, 1988, 1990, 1991; Lewin 1988), or concerned with the political issues of control and accountability (Gill 1994; Leigh and Lustgarten 1994). There have even been a number of self-conscious historiographical *travels de force* designed to show just what *can* be achieved even with the limited sources available (Andrew 1987; Wark 1986). However, there has been very little attention paid to the status of these bodies within the machinery of government, or how they are structured and operate as pieces of governmental machinery in their own rights. To be sure, the Major administration's 'open government' initiative and programme to put the Secret Intelligence Service

Philip Davies is a Lecturer in the Department of Sociology at the University of Reading.

Public Administration Vol. 78, No. 1, 2000 (29-49)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

and Government Communications Headquarters on a statutory footing, resulted in a very real increase in the volume of information available, both current and historical. But this information on policy and so-called 'central intelligence machinery' has tended to deal with matters at the somewhat rarefied level of the Cabinet and ministers of state and the Joint Intelligence Organisation in the Cabinet Office. There is still very little sense of how administrative matters operate at the less exalted level of individual agencies.

In the popular imagination, intelligence and security services are pictured as operating in some quasi-independent, shadowy realm of what some commentators have termed 'parapolitics' (Dorril 1983). In practice, of course, the entire process is considerably more prosaic. The Cabinet Office publication *Central Intelligence Machinery* stresses at some length the collective control, co-ordination and oversight function of the Joint Intelligence Committee and its constellation of sub-committees or *Current Intelligence Groups* which make up the Joint Assessment Staff (Cabinet Office 1993, 1995). Likewise, the official history of British intelligence in the Second World War throughout pays particularly close attention to the increasingly central role of the Joint Intelligence Committee (Hinsley *et al.* 1979, 1981, 1984, 1988, 1990). Michael Herman (formerly of Government Communications Headquarters and the Joint Intelligence Committee) has described this as a reflection of the 'jointery' endemic, not only to British intelligence, but to Britain's defence machinery in general (Herman 1996, p. 278). Indeed, this general emphasis on collegial arrangements and 'jointery' in intelligence was apparent well before the recent explosion of literature on intelligence, in a 1957 Royal Institute for Public Administration study *The Organisation of British Central Government* (1957). The RIPA study examines the origins of the Joint Intelligence Committee and the Joint Intelligence Bureau (precursor of the contemporary Defence Intelligence Staff), and clearly demonstrates how these core components of Britain's Central Intelligence Machinery evolved out of the early efforts at 'jointery' in the Committee of Imperial Defence (CID) (Wilson 1957, pp. 298–9, 316, 319, 321). However, this tells us very little about how the process works at an agency level.

In the case of the British Secret Intelligence Service (SIS, a.k.a. MI 6), the process of 'jointery' runs far more deeply than simply its participation in the joint intelligence process, and indeed, predates the formation of what has come to be known as the 'central intelligence machinery'. The JIC is not the SIS's sole point of contact with its consumers in government, although it is presently the most powerful such point of contact. Rather, the SIS has always dealt *directly* with those departments and ministries that employ its product in their policy-formation and implementation process. That process of liaison with the agency's 'consumers' in Whitehall and Downing Street has, in fact, formed the basic, central structural feature of its *internal* administrative machinery, the polarity between *requirements* and *production* (i.e. operations). This polarity has traditionally involved the appointment of

what the official history refers to as 'consumer liaison sections' to the headquarters of SIS, that is, sections of the *consuming department* intelligence divisions attached to, and integrated with the SIS staff and organization but answering ultimately to their seniors in the *consuming department*. The purpose of this 'side' to the organization was what intelligence jargon terms 'tasking and dissemination'. In other words, these sections were set up so that the consuming departments might issue their needs for information to the SIS (tasking), while simultaneously providing an administrative route for the SIS to pass the information it acquired to those consumers (dissemination).

The existence of the SIS's requirements side as a mechanism for tasking and dissemination is more than simply a bureaucratic formality. It is precisely the existence of the consumer liaison system which takes the SIS out of the vaguely mystical realm of 'para-politics' and into the far more conventional realm of British public administration. It is not merely the Foreign and Commonwealth Office and the Ministry of Defence who receive and employ information from the Secret Intelligence Service. To be sure, the FCO and MoD are probably the largest individual consumers simply because of their central role in British foreign and defence policy, and thereby major consumers of any form of foreign intelligence. However, many other departments of state are recipients of the SIS product. Customs and Excise receives contraband intelligence from the SIS (a major factor in the Matrix-Churchill enquiry in 1994–1995), while industrial, trade and financial information is circulated to the Treasury, Department of Trade and Industry and even to the Bank of England (as will be seen below). The Security Service (MI 5), police Special Branches and the Home Office are also counted amongst the SIS's consumers. More recently, of course, the 1994 Intelligence Services Act allows for the agency to be tasked by the newest member of Britain's intelligence community, the National Criminal Intelligence Service. And this relationship of supplier and consumer is not merely a question of these other organizations being 'accessories after the fact', so to speak. Because of the liaison machinery which connects the SIS to the overt machinery of government, these other bodies also *task* the SIS, setting out the aims of its operations and even, but not often, get directly involved in the planning and execution of operations in service of their requirements. The SIS, therefore, provides a strong illustration of why one cannot draw a barrier around the internal workings of intelligence services, label them *terra incognita* and imagine that they lie beyond the interest of the larger study of the machinery of government. Nor either can one afford to 'ghettoize' the study of intelligence services as a some how esoteric and often uncertain discipline confined only to the limited interests of a few arcane specialists divorced from the larger political and administrative context of government. Rather, intelligence services are just as much a part of the machinery of government as any other, require much the same kind of attention and analysis, and are at least as important as any other depart-

ments, agencies or offices in developing a thoroughly representative picture of the machinery of government.

The consumer liaison or 'requirements' architecture originally emerged after the First World War, but as the central machineries for defence and intelligence evolved in the following decades, the structure and function of consumer liaison, or *requirements*, also changed, shifting from simply acting as partisan representatives posted to SIS HQ into intermediaries between the SIS but increasingly in terms of the JIC system instead. This trend was amplified by the change in the very essence of the requirements process, from seconded personnel representing their narrow departmental interests to intermediaries dealing with specialist subject areas (for example scientific and technical or economic information) on an interdepartmental basis. The ultimate result was to change the terms of SIS's integration into the wider organization of British central government, but to maintain throughout a high degree of institutional integration in the workings of that central government. Ultimately, however, the SIS's relationship to the larger machinery of government has always been and remains a 'demand driven' one, with the locus of demand shifting eventually out of the hands of a chorus of consumers competing for SIS resources and into the consensus-oriented 'jointery' of the Cabinet Office.

THE '1921 ARRANGEMENT' AND THE 'CIRCULATING SECTIONS'

SIS's tasking and dissemination architecture evolved originally out of the first Secret Service Committee review of intelligence needs and facilities in the wake of the First World War. When the Cabinet convened the first of a series of Secret Service Committees in 1919 to review post-war intelligence needs, the Committee was confronted with the dual problems of a failure to fulfil consumer intelligence requirements on one hand, and operational hazards from poor interorganizational co-ordination in the field on the other.

One of the conclusions of the 1919 Committee was that the SIS should act as a *central* human intelligence organization, acting on behalf of the Foreign Office, the Admiralty, the War Office, the Colonial Office, the Home Office and the Air Ministry, in other words giving the SIS a monopoly on foreign intelligence production for the UK government. However, while this resolved the operational control problem it did not address what might be called 'consumer satisfaction', and a *quid pro quo* for SIS's central control of operations took shape: in order to 'safeguard the interests' of the agency's major consumers, 'the intelligence branch in each of the three Services came to house one of its sections in the SIS, where it formed a part of the HQ staff' in a scheme the official history terms the '1921 arrangement' (Hinsley *et al.* 1979, pp. 17–18). The Admiralty and the War Office attached their secondments first, in 1919, with the Foreign Office following later in 1921, with Air Ministry intelligence following a decade later and (Sir) Desmond Morton's Industrial Intelligence Centre setting up a similar arrangement

to handle economic and industrial intelligence shortly before the Second World War.

Initially, the individual 'consumer liaison sections' were originally simply referred to as the 'political section' or 'air section' and so forth (Andrew 1987, p. 408). However, by 1932 they had been designated 'Circulating Sections', or 'C Sections', and awarded Roman numerals (Special Operations Executive 1932). This designation scheme almost certainly post-dated their original attachment to SIS HQ since it in no way conformed to the actual sequence in which the C Sections appeared. Under this designation scheme, the Foreign Office liaison was Section I, the Air Ministry liaison Section II, Admiralty was Section III, the War Office Section IV, and eventually the Ministry of Economic Warfare had its own Section VI (there is some debate concerning the designation of the Air and War Office Sections, see Davies 1995, pp. 120, 130). The other side of the organization consisted of a small staff of 'G Sections' responsible for overseeing and directing the operational work of SIS stations abroad. However, matters became somewhat entangled during the interwar period because several sections which did not perform the consumer liaison function were bundled with the C Sections on an *ad hoc* basis. These were: Section V (Counter-Espionage); Section VII (Finance) and Section VIII (a section handling SIS ciphers and clandestine radio). However, as this discussion is concerned with consumer-liaison machinery, technical support arrangements lie somewhat outside the bounds of this article (and these bodies were eventually consolidated into their own directorates under the 1945–46 reorganization, see below).

The result was a pattern in which the seconded consumer liaison sections possessed a variety of dual administrative identity in Whitehall. The Military Section, for example, existed simultaneously as SIS's Section IV at the same time as it appears in War Office lists of the period as MI 1c (inheriting the First World War designation held by the SIS prior to its move from the War Office to the Foreign Office). Under the 1920–1924 reorganization of the Directorate of Naval Intelligence, the Naval Section at SIS was simultaneously SIS's Section III and designated NID 3 at the Admiralty (Admiralty 1923). Similarly, the Air Section after its establishment in 1929–1930 carried both the SIS designation Section II *and* the Air Intelligence title AI 1c (Winterbotham 1978, pp. 15–19). In 1938, when Desmond Morton was invited to lay down plans for an 'economic warfare intelligence branch' his proposals included a Liaison Intelligence Section that would receive information from other branches of government. That LI Section included a 'Secret Sources' sub-section consisting of two officers 'supplied by SIS' who were to act as liaison with that agency (Board of Trade 1938). Those officers also carried the SIS identity as Section VI (Johns 1979, p. 48; Special Operations Executive 1939; i-15). Only the Foreign Office or 'Political' Section was purely a staff secondment and held no parallel status in its home department.

The Circulating Sections did more than simply set requirements for raw

intelligence in the form of wish lists, and evaluate the content of agent reports from field stations abroad. C Sections (not to be confused with the designation of the Chief of Service as 'C') also originated operations which the operational G Sections were required to execute. Group Captain Winterbotham has noted about his experience setting up the Section II that

I discovered that people who had the required technical knowledge and were willing to sell it to a foreign country were hard to find . . . the sort of people I required were a considerable cut above the run-of-the-mill agent whose job was primarily to report on what he saw and seldom what he knew (Winterbotham 1978, pp. 18–19).

During the war, R.V. Jones would form the more scathing opinion that the 'average SIS agent was a scientific analphabet' (Jones 1978, p. 100). Winterbotham concluded that 'I should not only have to find the right people, but also train them in the sort of intelligence I required. Then from knowledge of the motives of the agent involved in selling me the information, I should have to assess its accuracy' (Winterbotham 1978, p. 19). In the event, of course, Winterbotham went beyond even this, travelling to Germany meeting and gleaning information from senior NAZI officials in person. Such extreme measures were, of course, the exception rather than the rule.

The practice of C Sections planning operations to be mounted via the agency's operational side was not a peculiarity of Winterbotham and the Air Section, however. In 1938, the Director of Naval Intelligence, John H. Godfrey, was approached by Lord Melchett who suggested to Godfrey that the Jewish athletic organizations or 'Maccabees' might be used as the basis for a clandestine network in Romania. Contacts were made with a businessman in the Palestinian Jewish community willing to go to Romania to make a start. 'At this moment' records Godfrey 'it was decided that the whole project should be turned over to C, which meant that nothing else was done about it' (Admiralty 1947). Non-completion of the operation notwithstanding, the Maccabee affair illustrates again how SIS consumers could and would issue the service with very specific operational plans (and even contacts).

WARTIME DEVELOPMENTS 1939–1945

With the outbreak of war, the Service Branch directorates of intelligence began programmes of expansion and reorganization leading in turn to the expansion and reorganization of their liaison sections attached to SIS HQ. The programme of expansion reflected two different sorts of process: on the one hand, Service intelligence departments were gearing up for an anticipated increased volume of information, while on the other new functions were being set up and installed in the home departments, and a number of these had implications for the SIS. Air Intelligence and Naval intelligence both began their expansion programmes before the actual outbreak of war, while the War Office reorganization did not take place until

1940. SIS also had to mobilize, bring in new recruits to handle its wartime operations (see, for example, Trevor-Roper 1968, pp. 38–9).

By May 1941, under the new reorganization, the Admiralty liaison to SIS and GC&CS came under a new Co-ordination and Liaison Section, NID 17. NID 17 included the NID attachments to the Joint Intelligence Committee, the Interservice Security Board, and the Joint Planning Committee, as well as 'Special Liaison Duties' which meant GC&CS (sometimes referred to as the Government Communications Bureau, or GCB), SIS, and to the SOE (given in 1940 papers as SO 2) (Admiralty 1941). As the range of NID liaisons multiplied through the war, adding the Joint Intelligence Staff and the interdepartmental Intelligence Section (Operations) (IS(O)) to the Division's commitments, the liaison duties were broken up between two different NID sections. The GC&CS and SIS liaison sections were excised from NID 17 in November 1944, and placed in their own section, NID 12a, as 'Naval Section, Government Communications Bureau' and 'Naval Section, London' respectively, an arrangement which prevailed until October 1945 at least.

In the September of 1939, Section II made a major innovation in the field of intelligence and one with a lasting influence through the creation of a scientific intelligence sub-section. The origins of the SIS scientific intelligence section lay well before the outbreak of war in the creation, under Sir Henry Tizard, of a Committee for the Scientific Survey of Air Defence in 1935. One of the Committee's conclusions was that Britain's intelligence departments were 'obtaining very little information about foreign scientific and technical developments'. What was immediately proposed, therefore, was that 'a scientist should be attached for a trial period to Air Intelligence in order to stimulate the flow of information' (Air Ministry 1945). AI reported this intention to the JIC in February 1939, and expressed the hope that other Service branches would follow suite, but they did not (Hinsley *et al.* 1979, p. 15). The scientist in question, R.V. Jones, was attached to Winterbotham's AI 1c (Jones 1978, pp. 92–3) or Section II, in which capacity Jones bore the title IId (i-03). Although the preparations for a scientific intelligence liaison were announced in February, Treasury resistance to the expenditure implied delayed the actual implementation of the AI plan until September 1939 by which time, as Jones's 1945 report notes, war had already broken out. IId dealt directly with Air Intelligence, both the SIS operational G Sections (retitled Production, or 'P' Sections *circa* 1941) and the agency's senior command, and even directly with Churchill and members of the War Cabinet on a number of occasions (Jones 1978, pp. 144–5).

The 1940 reorganization of Military Intelligence took the form of not only an expansion of the SIS HQ secondment staff, but also an upgrading of the War Office status of that staff. In 1939, the Military Circulating Section was still known within the War Office as MI 1c, a single officer (still Menzies) manning the 'Special Duties' sub-section of MI 1, the Military Intelligence section responsible for 'Organisation and Co-ordination of Military Intelligence, League of Nations Questions' (War Office List 1939, p. 97). Under

the 1940 reorganization, a greatly expanded MI Division was divided up between three deputy directors, one for 'Organisation' (DDMI(O)) another for 'Information' (DDMI(I)), and another handling security, (DDMI(S)). The DDMI(O) title was not particularly representative of that officer's functions, which encompassed not just the organization and co-ordination section MI 1, but also a number of intelligence collections and liaison sections. These included communications security and interception through the War Office signals intelligence organization MI 8, the escape and evasion organization MI 9, MIL which handled military attachés, liaison with home departments of government and liaison with and from allied forces, and finally as 'Special Duties', the War Office liaison to SIS, now under the new designation MI 6. Despite this extended presence, and the Circulating Sections' central role at Broadway, Military Intelligence remained dissatisfied with its degree of influence over both the SIS through MI 6 and the Security Service through MI 5. A 1941 Military Intelligence report proposing another series of reforms to the Directorate complained that

MI 5 and MI 6 fulfil the purpose of liaison with the Security Service and the Secret Service respectively but it is regrettable that the Army Council should have in general little or no say in the use to which the available funds are put, the selection of personnel or the disposition of those services on whose efficiency military security and information depend (War Office 1941).

It should be noted at this point that the 1940 redesignation of the MI liaison to SIS as MI 6 is the *earliest* point at which references to the SIS as MI 6 first appear in official documents. The first volume of the official history asserts that the title was retained in the wake of the 1919–1921 reorganization of intelligence (Hinsley *et al.* 1979, p. 17), while in a footnote to the fifth volume Michael Howard claims that this title was adopted in 1939 when the SIS was 'formally' placed under the War Office (Howard 1990, p. 4). In fact, interwar government papers refer to the SIS under several alternative titles: by its formal title the Secret (sometimes Special) Intelligence Service or SIS, the 'Secret Service', often by euphemisms such as 'Broadway' or the Government Communications Bureau (GCB) which was the sign on the outside of the Broadway Buildings and was often used in official papers rather confusingly to refer to either the SIS or GC&CS (Admiralty documents continuing to use it in the latter sense until 1945), and perhaps most commonly as 'C's Department', but *never* MI 6. It would appear, therefore, that contrary to accepted wisdom, the title 'MI 6' was not adopted for the SIS *until* the reorganization of MI in 1940, at which point the term came into use as something of a euphemism for the SIS, referring to it not by name but by the War Office title for its liaison at the SIS, Section IV.

POST-WAR REORGANIZATION

In early 1945 a JIC sub-committee on the future of the SIS was convened under the Chairmanship of Victor Cavendish-Bentinck (later Duke of Portland). The results of their considerations were submitted to the Chiefs of Staff (COS) on 5 June 1945, although the conclusions of the committee have yet to be disclosed, apart from the suggestion that Menzies 'hoard all the money he could before the war ended because ... the Treasury wouldn't give a penny if it didn't have to' (Howarth 1986, p. 199). SIS responded to the pressure to reform and confront the new era by convening its own internal Committee on SIS Reorganization in September of 1945 (Philby 1983, p. 124). Much has been written about the decisions of this committee which has been variously intensely critical or even deceptive, as often as not intentionally or unintentionally misleading. However, what essentially happened was that what one-time Deputy Chief of Service Valentine Vivian had described as 'the present collection of independent units, known as SIS' (Cecil 1986, p. 186) was streamlined into a coherent system of five Directorates under 'C'. Under this arrangement, the operational 'P' Sections (as in Production, formerly the G Sections) were grouped under a Director of Production and the C sections, relabeled Requirements or 'R Sections' were gathered under a Director of Requirements. Finance and administration were bundled into another single directorate, as were technical research and staff training. A short-lived Directorate of War Planning was also set up to absorb the functions of the now defunct Special Operations Executive, that is to say, sabotage, subversion and clandestine support for resistance movements in enemy occupied territory (Cavendish 1990, pp. 40–41; Philby 1983, p. 124; Smiley 1988, p. 188; i-008; i-010; i-015; i-009, i-011, i-019 and i-022).

There were also external pressures to change that were of a very different order, and represented the beginning of a very fundamental change in the structure of tasking and analysis within the British government. Between the wars, the emphasis on tasking and dissemination for the SIS had been on the basis of single departmental consumers, who then conducted their own, independent, in-house all-source analysis on what they received from the SIS, GC&CS, and consular and published (i.e. non-secret) sources. Joint planning, joint operations and joint intelligence were all nascent developments, but ones forced into rapid evolution by combined mutagenic and selective pressures of the Second World War. With the end of the war, intelligence *analysis* underwent much the same kind of JIC-level review as intelligence collection and special operations, with the result that JIC proposed the creation of a new joint intelligence organization, the Joint Intelligence Bureau. The purpose of the JIC was mainly to prepare strategic and policy-level joint assessments (since the war effectively, but not officially, at a national level (Hinsley *et al.* 1979, p. 160)), but hard experience from the Second World War had taught the value of joint *tactical* intelligence

dealing with economic, geographical, technological, psychological and assorted other factors. As a result, the JIB was to provide a vehicle for just such a joint pooling of information, and besides acting as a recipient and analyst, was given its own Procurement Section to gather information from open, published sources (Strong 1968, p. 233; War Staff 1947). Both bodies and their support staffs were subsequently placed under the auspices of the newly formed Ministry of Defence which had superseded the pre-war CID.

From the SIS point of view, the JIB was now an additional consumer, although instead of requiring a new consumer liaison section as had developed in the past, the breadth of the JIB's interests and requirements meant that it was treated as an additional consumer for most of the existing liaison sections, in particular those of economic and scientific intelligence. The growth of central, interdepartmental all-source assessment constituted a progressive pressure on SIS tasking and dissemination away from simple departmental, partisan representation to an additional role of detached and bias-neutral quality control of SIS contributions to the new joint intelligence process based on topical distinctions rather than departmental interests.

As noted above, Requirements Directorate consolidated the old C Sections (now R Sections) together under a single senior officer responsible for overseeing the evaluation and circulating of the production side's intelligence 'take', and the agency's overall relations with its consumers. For the most part their numerical designations remained more or less unchanged. R1 continued to be Political Intelligence working on behalf of the Foreign Office, R2 was the Air Section, R3 Navy, and R4 the Military. Section VI would outlive its original consumer, the Ministry of Economic Warfare, and continue to produce industrial and commercial intelligence for a wide range of departments as R6. Jones's IId was hived off from the Air Section to become R7. Section VIII, now R8, was stripped of its Radio Section at Hanslope Park (hived off in turn to become the Foreign Office's Diplomatic Wireless Service), and reduced to a single officer handling liaison with the signals intelligence service Government Communications Headquarters (GCHQ; formerly GC&CS) (Cavendish 1990, pp. 40–41; i-08; i-020).

Section VI survived the Ministry of Economic Warfare which, according to the official history of the economic blockade 'came quietly and quickly to an end' by 1 June 1945 when its remaining staff were absorbed by the Foreign Office as an Economic Warfare Department. This department oversaw the dismantling of the remaining trade controls, the last of which (Navicert and certificate-of-origins) were shut down on 30 September 1946 (Medlicott 1959, pp. 628–9). Section VI, renamed R6, now processed industrial and commercial intelligence on behalf of the Board of Trade, the Treasury, the Joint Intelligence Bureau's Economic Intelligence Section, and even the Bank of England (i-010; i-012; i-015; i-017).

In July 1945 the Joint Intelligence Committee issued a report entitled *Organisation of Scientific and Technical Intelligence* which was quite critical of the wartime arrangements for scientific and technical intelligence on the

grounds that they were not 'uniform' between the various departments who had set them up independently of one another (Admiralty 1945a). Indeed, at least within the SIS, Air Section, Section II, had had almost complete control of scientific intelligence, although IId, R.V. Jones, found during the war that the other Circulating Sections had to make use of his department's services. The JIC paper concluded regarding the SIS that 'C's Scientific Intelligence Section should include a Scientific Advisor *independent of all three services* and, as assistants to the latter, such other scientists as 'C' may find necessary' (Admiralty 1945b, emphasis added). Thus IId was hived off from R2 (Air) to become R7 (i-03; i-15; i-08; Cavendish 1990, p.41). Under these arrangements, like R6, R7 officers were not to be drawn from external consumer departments, but to be career SIS scientists. The same report noted that whilst for the Service Branches the Scientific Intelligence personnel would ideally be 'drawn from, and after a period of years, return to their [respective Service] Scientific Research Organisation, on the other hand, 'C's staff will probably need to have a life long career'. However, separate arrangements were made for atomic intelligence being gathered for the Tube Alloys Committee, and atomic intelligence was in turn hived off from Jones's IId and set up as R9 (i-15; Jones 1978, p. 623; Aldrich 1993, pp. 45–6). R9, however, proved short-lived and was soon absorbed back into R7 (i-03; i-15; Cavendish 1990, p.41).

R7 was to be a far less ambitious entity than IId had been. Despite Jones's continued campaign for a central 'scientific intelligence service', potentially located at the SIS, the post-war architecture moved back in the direction of the traditional '1921 arrangement'. R7 was stripped of IId's all-source analysis role, and became simply a relatively passive R Section in the same mould as the Service liaison sections. In the first instance, it serviced the JIC's Joint Scientific Intelligence Committee (JSIC) and Joint Technical Intelligence Committee (JTIC) (Admiralty 1945b), both of which tended to act together as a single Joint Scientific/Technical Intelligence Committee (JS/TIC). However, R7 was also tasked directly by the individual departmental scientific intelligence sections which contributed to JS/TIC (Ministry of Defence 1949). By 1949, JS/TIC had been superseded by a centralized Directorate of Scientific Intelligence that laid requirements upon R7, and used that information in conjunction with that provided by Service intelligence branches and open sources from the JIB's Procurement Section (Aldrich 1998, pp. 66–67; Jones 1989, pp. 8–11). Much as the Service intelligence branch liaisons possessed double identities with their own particular designations within their home departments distinct from their SIS designations (for example R4 being MI 6 in the War Office), R7 has its own double identity within the JS/TIC and DSI constellation (and later in the Defence Intelligence Staff's Directorate of Scientific and Technical Intelligence) as the 'Technical Coordinating Section' or TCS (Ministry of Defence 1949, 1965). R7, therefore, embodied two emerging trends in post-war tasking and assessment. While it was reduced to being a consumer liaison section,

it had not merely a single consumer, but represented several, all of which were not single departments of state, but joint assessment bodies themselves servicing a plurality of departments. As a result, R7 embodied many of the same trends as R6.

R8's function was, as one former officer described it, to 'act as GCHQ's man at SIS.' R8's function was as a two-way channel. R8's work routine consisted of a weekly meeting on Tuesdays at GCHQ's London offices on Palmer Street, with a monthly meeting at GCHQ's headquarters (in due course in Cheltenham). On the one hand, GCHQ used it to issue requirements for SIS to target individuals with access to information about cryptosystems GCHQ wished to penetrate, such as code books and one-time pads, encryption algorithms and their keys, information about communications security procedures, facilities and so forth. On the other hand, R8 also served as a conduit for signal intercepts which might be of value in SIS's work, such as identifying likely candidates for recruitment on the basis of their telecommunications traffic (i-10; i-15; Cavendish 1990, p. 41).

One recurrent item of confusion in the literature on the SIS deals with the supposed designation of the agency as 'DI 6' rather than MI 6 (see, for example, Bunyan 1977, p. 3; McDermott 1973, p. 137), and this results from a change in the Whitehall designations for R2, R3 and R4 following the 1963/4 consolidation of the Service intelligence branches with the JIB under the general amalgamation of the Service Departments with the Ministry of Defence. The Services had been amalgamated with the Ministry of Defence chiefly on the grounds that there were administrative scale economies to be had combining the civilian civil service machineries of the War Office, Admiralty and the Air Ministry. In the process, the three Service intelligence branches were consolidated with the JIB. Far from immediately benefiting from scale economies in administration, the process of amalgamation proved fairly chaotic; although under a common command, a lot of the various NID, MID, AI and JIB sections retained their original designations or a joint DIS/Service Branch designation, DI(MI), DI(NI) or DI(AI) followed by the Section number, for example DI(AI) 7 (Ministry of Defence 1964). However, in 1966, a scheme was adopted in which the analogous or related Service intelligence sections were combined into single joint DI sections with Army, (A), Navy (N) or Air (Air) sub-designations, for example the Soviet geographical section of the Directorate of Service Intelligence (DS Int) became DI 3, subdivided into DI 3(A), DI 3(N) and DI 3(Air) (Ministry of Defence 1966b). Under the consolidation of the Service intelligence branches, the Service branch liaisons with the Security and Secret Intelligence Services were consolidated under DI 5 and DI 6. Within DI 6, therefore, the designations of R2 (Air Intelligence liaison), R3 (NID 17) and R4 (MI 6) became DI 6(Air), DI 6(N) and DI 6(A) respectively (i-30; these section headings are excised from the Ministry of Defence papers on the DIS consolidation in the PRO, with the numbering scheme skipping from DI 4 to DI 7 (see Ministry of Defence 1966b)).

INCREASED JIC CENTRALITY

For the most part, the Requirements Sections changed relatively little throughout the following two decades, although a series of changes began to accumulate in the SIS' governmental environment which would eventually contribute to the comprehensive reform and reorganization of Requirements during the 1970s. In 1957, the external processes of tasking, dissemination and analysis underwent another change which had fairly profound implications for the process on the work of Requirements side of the SIS, and the Requirements/Production relationship. In 1946, the increased post-war centrality of the JIC as an assessment as well as administrative entity, and the creation of the JIB, shifted the emphasis in requirements from strictly partisan representation to a concern for disinterested 'objective' evaluation (a shift further emphasized by the fact the R1, R6 and R7 all served multiple consumers). However, at this point the JIC was still essentially one consumer amongst many, albeit *primus inter pares*, and so the majority of intelligence requirements issued to the SIS were matters of departmental demand. In 1957, according to the official account 'as a reflection of the broadened scope and role of intelligence, the JIC was brought within the Cabinet as part of the interdepartmental committee structure under the authority of the Secretary of the Cabinet' (Cabinet Office 1993, p. 11). This represented a profound change in the role of the JIC as the body formulating *national* intelligence requirements in support of a *national* assessments process, that is, one working at the level of the Cabinet Office on behalf of ministers and departmental Permanent and Under-Secretaries. The JIC was also now responsible for co-ordinating all the requirements and priorities which could be laid upon the 'Security and Intelligence Agencies' by their consumers in Whitehall. The result was an annual review of intelligence requirements, leading to an annual national intelligence requirements list, through a process consisting of 'rigorous analysis of the requirements for secret intelligence with extensive consultation with consumer departments and consideration of the financial and other resources required' (which, although modified through the 1968 appointment of the Co-ordinator of Intelligence, has remained substantially the same since the 1950s.) (Cabinet Office 1993, p. 13). The resulting National Intelligence Requirements Document (i-28) therefore involved not only a shopping list for intelligence, but one which assigned priorities to potentially competing demands, in other words, it put individual *departmental* demands in the context of both *national* requirements and limited operational resources.

The portion of the National Intelligence Requirement Document allocated to the SIS came to be formulated in the SIS 'Red Book' (Verrier 1983, p. 4; i-20; i-28), which should not be confused with the weekly all-source intelligence summary produced by the Joint Intelligence Committee known as the JIC 'Red Book'. The SIS 'Red Book' was distributed to stations abroad by SIS HQ, and in terms of which any proposed operation had to be justified

(i-20;i-28). To be sure, the R Sections continued to be the direct conduit for specific requests from, and the circulating of reports to, individual customers in Whitehall, but the national requirements list and the Red Book meant that even those departmental requests had to be within the bounds of parameters and priorities laid down at Cabinet Office level. The 1957 creation of a genuinely *central* intelligence machinery provided a permanent check on the dangers of surplus demand created by the 1921 Arrangements. To employ a scriptural metaphor, if the National Intelligence Requirement Document was the *Torah*, then the Red Book was the *Talmud*, and it was the place of the Requirements Section officers to interpret these holy scriptures unto the people actually mounting and running the operations. Requirements as a whole had moved even further away from the interwar doctrine of partisan representation; besides being disinterested evaluators, R Sections were increasingly becoming the in-house arbiters of a single, interdepartmentally agreed set of intelligence priorities and needs as they were applied to SIS operations. The 1957 move of the JIC from the MoD to the Cabinet Secretariat, and the development of a national intelligence requirements system, therefore constituted something of an environmental *force majeure*, transforming not only the relationship between the SIS and its customers, but also the internal relationship between Requirements and Production. The SIS was forced to change its inner workings to conform to the changed structure and process in what was now Britain's genuinely central intelligence machinery.

THE SHIFT TO GEOGRAPHICAL ORGANIZATION

The role of partisan representation had been steadily decreased throughout the previous two decades, while joint- rather than single-Service all-source analysis had been increased both by the increased centrality and power of the Joint Intelligence Committee and the 1964 consolidation of the Service departments under the Ministry of Defence. Consolidation of the armed services had also involved placing the individual armed services under separate, junior Defence ministers who were without seats in Cabinet. The Service customers were, therefore, politically weaker, as well as subject to strengthened pressures towards inter-Service and inter-departmental jointery. The combined effect was to weaken very considerably any outside partisan pressure which served as a justification for a functional organization to requirements. The trend towards a geographical reorganization of Requirements was also given a push in 1968 by the replacement of the JIC's Joint Intelligence Staff with the Joint Assessments Staff (JAS). The JIS had been composed of a constellation of *ad hoc* interdepartmental groups, some geographical but others such as JS/TIC were functional. In 1968 these were reorganized or replaced with the more formal but still essentially collegial, geographically organized Current Intelligence Groups (CIGs) making up the JAS (Cabinet Office 1993, p. 11; Herman 1996, p. 262; Urban 1996, p. 29). Requirements Directorate was the first point of contact with the JIC. Its R

Section officers sat on the JIC subcommittees which their R Sections served (i-15; i-28; Cabinet Office 1983, p. 95). With such profound changes in the governmental side aspect, SIS's environment made adaptation of Requirements Directorate to suit the new tasking and dissemination conditions all but inevitable. Perhaps one of the main indications of the reportedly moribund state of the SIS under Sir John Rennie's term as 'C' was the delay of nearly five years before that adaptation took place under his successor.

Environmental changes in the UK government's intelligence machinery converged with reductions in staff size in the specialist R Sections such as R6 (Economic/Industrial) and R7 (Scientific) which had resulted in a large part from another financial pressure upon the SIS. In the early 1970s, the SIS experienced sizeable staff-cuts across the board, but this was felt particularly keenly in Requirements which, despite its centrality in SIS structure and process, was a relatively small directorate. Although R2, R3, and R4 had been reduced to single officers in 1964, and R8 had been more or less a single officer since 1947, technically specialized sections like R6 and R7 were still relatively small compared with R1 which had at least four geographical sub-sections as well as the SIS's covert action Special Political Action under its ambit (i-08, i-20, i-28). The Service Department and GCHQ liaison sections *couldn't* get any smaller and still exist independently, and they still individually served four powerful outside consumers with very particular requirements. R6 and R7, however, did dwindle to a point where their independent existence could be challenged. As one officer put it, there were very few economic intelligence requirements at all, and what requirements did exist were essentially 'political-economic'. One did not, he noted, send an officer abroad to study the economy of the country to which they were stationed. Moreover, 'there was a matter of inclination: very few SIS officers are economists while the typical SIS officer is a political animal' (i-28). It was, therefore, a relatively minor change to absorb R6's regional functions under the political requirements section, R1. And, since most scientific intelligence requirements concerned the USSR, a greatly reduced R7 was eventually absorbed under the Soviet sub-section of R1 (i-28). In principle, all that would have been left from the diminution and demise of R6 and R7 would have been the Service liaison sections, R8, and a considerably expanded R1. As a result, when Maurice Oldfield (Rennie's successor as 'C') undertook his 'streamlining' of the SIS after 1973, the predominantly *political* requirements sections were reorganized along geographical lines as: Requirements, Soviet Bloc (R/Sovbloc); Requirements, Far East (R/FE); Requirements, Middle East (R/ME); Requirements, Europe (R/EUR); Requirements Western Hemisphere (R/WH, including the Americas and Caribbean); Requirements, Africa (R/AF), more closely approximating the JIC's CIGs, while R8, the GCHQ liaison, remained as R/GC (Requirements, Government Communications) (i-20; i-28). As the political and surviving economic aspects of Requirements Directorate were being broken up along geographical lines, the Service Branch liaisons, formerly R2 (Air), R3 (Navy)

and R4 (Army), were carved out of the Directorate to become a Defence Liaison Staff. In this capacity, they were retitled 'MODA's, standing for Ministry of Defence Advisor, with R4 (DI 6(A)) redesignated as MODA/Army, R3 (DI 6(N)) as MODA/Navy and R2 (DI 6(Air)) as MODA/Air (Campbell 1982; i-20).

By 1978/79, Requirements Directorate, 'already felt in some quarters to be too small to warrant a full Director' (i-28) ceased to be an independent Directorate, and Production and Requirements were merged under a combined Director of Requirements and Production who also doubled as Deputy Chief (i-20; i-28; Campbell 1982; Bloch and Fitzgerald 1983, p. 34; Smith 1996, p. 155). The Requirements process, however, retained a measure of independence under a Deputy Director, Requirements (DD/R) who carried on the responsibilities that DR had done, but in a junior capacity in the SIS (i-20, i-28). Although the separate Director of Requirements was a thing of the past, the functions of the R Sections continued to be overseen by DD/R, who was responsible overall for the quality of the reports produced by the R Sections, and the day-to-day relations between SIS and its consumers in Whitehall. These arrangements have continued to provide the basic core structure to SIS even after the Cold War with, however, some modification to take into account emerging security concerns such as transnational terrorism and serious crime, environmental concerns and the potentials of the new information technology (Adams 1994, pp. 117, 235-6; Smith 1996, p. 155; i-20; i-28).

CONCLUSION: INTELLIGENCE SUPPLY AND DEMAND IN THE MACHINERY OF GOVERNMENT

What is peculiar about the SIS throughout most of its history has been its very institutional *permeability*. Far from being a completely isolated element of government, the agency's tasking and dissemination architecture has served to *integrate* it into the wider workings of the machinery of British government, particularly in the spheres of defence and foreign affairs. In a sense, the resulting condition has been reminiscent of Peter Gill's notion of the 'goretex state', which allows information to flow in but not out (Gill 1994, pp. 79-80). In the case of the SIS, requirements were permitted to flow in and intelligence reports out, but while the the inflow of requirements was (initially) relatively unconstrained, the outflow of intelligence reports was tightly controlled to preserve security. Consumer liaison sections ultimately served four different functions. First, they allowed consumers to issue their requirements directly to the SIS, and through the secure channel of actually basing their own officers at the SIS. Second, they also provided a means for SIS's customers to actually influence, guide and contribute to specific operations. The third and fourth functions flowed in the opposite direction. On the one hand, the consumer liaison sections provided a comparably secure route to pass raw intelligence reports back to analysts in the consumer departments. On the other, it was possible for members of the

consuming departments (later, their representatives) to be indoctrinated into otherwise sensitive details concerning intelligence sources which they could factor into assessing the reliability and implications of those reports, and advise their home departments appropriately.

For the most part, the workings of the consumer liaison architecture was entirely typical of the working character of what Hugo Heclo and Aaron Wildavsky have labelled the 'Whitehall village' (Heclo and Wildavsky 1974). Customers would issue their requirements to the SIS in the form of wish-lists of information desired which would then form the basis of negotiations in interdepartmental meetings. For example, prior to the JIC's central role taking shape, the War Office's practice for laying its requirements on the SIS consisted of issuing R4 (still designated MI 6 within the War Office) with Standing Questionnaires which covered permanent requirements, such as strength and deployments of Soviet forces in the Occupied Zones and Eastern Europe, 'Special Questions' to cover specific items or details not covered by the Standing Questionnaires, and 'Special Supplementary Briefs' covering any items not covered by the previous two procedures. The minutes of a meeting between MI 6 (R4) and representatives of other Military Intelligence subsections records that

The attention of sub-sections was again drawn to the necessity for careful phrasing when putting Special Questions to MI 6. Where possible, a short background explanation should be given and the question related to it. Thus instead of asking point blank for, say, the whereabouts of the 5th Inf. Division, sections should preferably say something on the following lines: 'It has been reported that the 5th Inf. Div. has left its old location at "Blacktown" and is now thought to be in the area of "Whiteberg", the move is thought to have taken place in early November. Confirmation of this move is required together with the new location of the Div. HQ.' A similar procedure would apply for questions on organization, equipment, personalities, etc. (War Office 1947)

Within the SIS, communications between Requirements Officers and the operational Production side were similarly mundane. The Production side would, through its network of field stations, generate the basic 'source reports' which were circulated to the R Sections and thence to SIS consumers in Whitehall. Former Iberian area P Officer (P1) Desmond Bristow has recounted how 'the report would be digested by its recipients and then returned to me marked with an A, B, C or D according to its importance, usually accompanied by a request for further information ... every six months my colleagues in [P1] would evaluate each agent in collaboration with the recipient departments of his or her reports [i.e. the R Sections] and the Head of Station supplying the reports' (Bristow 1993, p. 176).

The process was not confined to intelligence collection alone, and special political actions and paramilitary special operations were likewise tasked through the requirements machinery. For example, the unsuccessful 1949

resistance programme in Albania (betrayed by H.A.R. 'Kim' Philby to his Soviet controllers during his term as SIS intelligence liaison in Washington) resulted initially from a requirement formulated by the Foreign Office's 'Russia Committee' (Foreign Office 1948), while the successful 1953 coup in Iran (operation BOOT) originated with a requirement issued by the Foreign Office after the failure of its own subversion attempts between 1951 and 1952 (Woodhouse 1983, pp. 111–112). This relationship was reinforced when a new Special Political Action Section was created in the wake of BOOT to handle covert political actions and was placed under the auspices of the Foreign Office liaison section R1 (i-08, i-11).

Before the emergence of JIC as the central and final arbiter of intelligence requirements and priorities, SIS's demand-driven architecture could run the risk of overwhelming the SIS's limited resources. Prior to the Second World War, the SIS was flooded with demands for information on the German armed forces and economy through the Service intelligence branch liaisons and IIC. The volume of requirements coming from Section II, III, IV and VI was so great that the agency could not fulfil any single requirement completely, and as a relatively junior organization within the civil service chain of being, it was in no position to reject consumer demands. Of this stage in the organization's history, the official history concludes that

the SIS was not a strong enough organization to settle priorities between the requests that were made of it, or even able to resist demands which went beyond its resources. When those demands became insistent and conflicting, as they did in the 1930s, it was overstretched by user departments (Hinsley *et al.* 1979, p. 18)

The increased centrality of the JIC mechanism, however, acted as a filter on the inflow of requirements by basing them not on a monologue of demands but on a dialogue between producer and consumer, formulated ultimately in the annual National Intelligence Requirements Document, within the SIS in the form of its 'Red Book'. The impact of the post-war JIC and JIB structure and process was that the tasking process, or *requirements*, now began to reflect not merely partisan interests but the need for balanced 'objective' inputs to a joint, all-source assessment process at both the strategic and tactical levels. The work of tasking and dissemination was increasingly to become one of detached intermediary. On the one hand, the Requirements officer was there to make sure that the information received by consumers was, as one officer put it, 'not influenced by the imperatives of the Production side, i.e. making poor agents look good or good agents look better', the relationship of case officer to source, noted this officer, being 'something of a partnership . . . a bond of loyalty [which] tends to make sheep out of goats, and Requirements Sections are supposed to ensure that goats remain goats.' On the other hand, he or she was also required to ensure that intelligence reporting was not distorted by 'political influence from customers in Whitehall' (i-28).

Regardless of the successive changes and reforms in structure and process, for nearly eighty years the consumer liaison architecture of SIS's Requirements side has permitted that very covert agency's infrastructure and inner workings to interweave with the machinery of overt British government, below and beyond the lofty centrality of bodies like the Cabinet Office and its Central Intelligence Machinery. That process of interweaving means that the SIS does not exist in a governmental and conceptual realm at some distance removed from the more visible, 'overt' machinery of British government. Rather, it is in fact very much part and parcel with that larger machinery. Such an interweaving means that *secret* intelligence is not just the esoteric preserve of a few departments and officials but something affected by, and playing a role in, the wider processes of British government and policy. It also means that secret intelligence and secret services should not be treated as something apart from the larger study of government and politics; they are part and parcel with that as well.

APPENDIX

Twelve former SIS personnel were interviewed as part of this research. They were guaranteed full confidentiality on the basis of their information being handled by serial number. As a result, references of the form 'i-01' or 'i-08' are to respondents' serial numbers. Note also that citations to documents in the Public Records Office (PRO) and India Office Library of Records (IOLR) are given by the departmental files *holding* the record, not the originating department, for example Ministry of Economic Warfare documents may appear in both Foreign Office (FO) and Board of Trade (BOT) files.

REFERENCES

- Adams, James 1994 *The new spies*. London: Hutchinson
- Admiralty. 1939, 1940, 1941, 1942, 1943, 1944 'Distribution of Work'. ADM 116/1842 PRO.
- . 1921. 'Draft reply to the Treasury re reduction in NI', ADM 116/1842 PRO
- . 1945a. JIC (45) 229 of 26 July 1945. ADM 1/20088, PRO
- . (undated). 'Naval Intelligence operations abroad', NID 10388/21 ADM 116/1842 PRO
- . 1923 'Organisational chart of Intelligence Division, Naval Staff, Admiralty' ADM 116/1842, PRO.
- . 1945b 'Organisation of scientific and technical intelligence' ADM 1/20088, PRO
- . 1947 'Report on intelligence methods'. ADM 223/475, PRO.
- Air Ministry 1945 'Air scientific intelligence in war', Section 4, in AIR 8/1532, PRO.
- Aldrich, Richard. 1993 'Secret intelligence for a post-war world' in R Aldrich (ed.), *British intelligence, strategy and the Cold War* London Routledge.
- . 1998 *Espionage, security and intelligence in Britain 1945–1970*. Manchester: Manchester University Press.
- Andrew, Christopher 1987 *Secret service*. London: Sceptre.
- Bennett, Ralph. 1979 *Ultra in the West the Normandy Campaign 1944–45*. London: Hutchinson
- . 1989. *Ultra and Mediterranean strategy*. London: Hamish Hamilton
- Beesley, Patrick. 1978. *Very special intelligence the story of the Admiralty's Operational Intelligence Centre 1939–1945*. London: Sphere
- Bloch, Jonathan and Patrick Fitzgerald. 1983 *British Intelligence and covert action*. London: Junction.

- Board of Trade. 1938 FCI 968, including 'ATB and (EPG) 13 and 14, Item 2(b) Organisation of an Intelligence Service, Interim Report' with cover note from Morton to Jones dated 31 March 1938, BT 61/69/2, PRO
- Bristow, Desmond 1993 *A game of moles: the deceptions of an MI6 officer* London: Little, Brown.
- Bunyan, Tony 1977. *The history and practice of political police in Britain* London: Quartet
- Cabinet Office. 1993. *Central intelligence machinery* London: HMSO
- . 1995. *Falklands Islands Review*. London: HMSO
- Campbell, Duncan. 1982. *The New Statesman* 26 Nov
- Cavendish, Anthony. 1990 *Inside intelligence*. London: Collins
- Cecil, Robert 1986 'C's war', *Intelligence and National Security* 1, 2 (Apr.).
- Davies, Philip, H.J. 1995 'Organisational politics and the evolution of Britain's intelligence producer/consumer interface', *Intelligence and National Security* 10, 4 (Oct.)
- Dornil, Stephen and Robin Ramsay 1983 *Lobster: A Journal of Parapolitics*. Published by the authors
- Foreign Office. 1948 RC(16)48 of 25 Nov 1948. FO 371/72196. PRO.
- Gill, Peter 1994. *Policing politics: security, intelligence and the Liberal-Democratic state*. London: Frank Cass.
- Herman, Michael 1996. *Intelligence power in peace and war*. Cambridge: Cambridge University Press
- Hedco, Hugo and Aaron Wildavsky 1974. *The private government of public money*. London: Macmillan
- Hinsley et al 4 volumes, 1979, 1981, 1984, 1988, 1990 *British Intelligence in the Second World War: its impact on strategy and operations* London: HMSO.
- Howard, Michael. 1990. *British Intelligence in the Second World War Vol. IV. strategic and operational deception*. London: HMSO.
- Howarth, Patrick. 1986. *Intelligence chief extraordinary: the life of the Ninth Duke of Portland*. London: Bodley Head.
- Jeffery, Keith 1987. 'British military intelligence following World War I' in K.G. Robertson (ed.), *British and American approaches to intelligence* London: Macmillan
- Johns, Philip. 1979 *Within two cloaks* London: William Kimber
- Jones, R V 1978. *Most secret war* London: Hamish Hamilton
- . 1989. *Reflections on intelligence*. London: Jonathan Cape.
- Leigh, Ian and Lawrence Lustgarten 1994 *In from the cold: National security and parliamentary democracy*. Oxford: Clarendon Press
- Lewin, Ronald. 1988 *Ultra goes to war* London: Hutchinson
- McDermott, Geoffrey. 1973 *The new diplomacy and its apparatus* London: Plume
- Medlicott, W N. 1952 *The economic blockade*, vol I London: HMSO
- . 1959 *The economic blockade*, vol II. London: HMSO
- Ministry of Defence. 1949. Memorandum from Alan Lang-Brown to Chairman JS/TIC of 6 September, TCS/441 DEFE 40/26, PRO Also published in Aldrich 1998.
- . 1965 DSTI/101/51/ of 4 March DEFE 31/45 PRO
- . 1966a. D/DIS/1/2 of 25 July 1966. DEFE 31/45, PRO
- . 1966b 'DS intelligence reorganisation on an area concept', DEFE 31/45, PRO
- . 1964 'Reduction in Defence intelligence staff', DEFE 31/45, PRO
- Philby, H.A R 1983. *My silent war*. New York: Ballantine
- Robertson, K G 1988 'Accountable intelligence: the British experience', *Conflict Quarterly* 8, 1 (winter)
- Smiley, David 1994 *Irregular regular*. Wilbey, England: Michael Russell.
- Smith, Michael 1996. *New cloak, old dagger: how Britain's spies came in from the cold* London: Gollancz
- Special Operations Executive 1932 SIS minute sheet, form R1 in XC22483, HS 2/240. PRO
- . 1939 Oxelsund report HS 2/263 PRO
- Strong, Kenneth 1968. *Intelligence at the top*. London: Ginniger
- Trevor-Roper, Hugh 1968 *The Philby affair: espionage, treason and secret services*. London: William Kimber.
- Urban, Mark. 1996. *UK Eyes Alpha: The inside story of British Intelligence* London: Faber and Faber
- Verrier, Anthony. 1983 *Through the looking glass*. London: Jonathan Cape
- War Office. 1941. 'Reorganisation of MO and MI', DMO&P 307. WO 208/4696, PRO
- . 1947. 'Minutes of MI 6 liaison meeting No. 22 held at the War Office Room 218 at 1500 hrs, 4 Dec 1947', MI6/203/1353. WO 208/4749 PRO Published in Aldrich, 1998, pp 27–29
- War Office Lists 1919–1945 PRO
- War Staff. 1947. L/WS/1/1088, IOLR.

Wark, Wesley 1986. *The ultimate enemy*. Oxford: Oxford University Press.

Wilson, F.M.G. 1957. *The organisation of British central government* London: Allen and Unwin

Winterbotham, F.W. 1978 *The Nazi connection. the personal history of a top-level British agent in Pre-War Germany* London Wiedenfeld and Nicolson.

Woodhouse, Montgomery 1983 *Something ventured*. London Granada

Date received 30 November 1998. Date accepted 19 May 1999.

The British Journal of Politics & International Relations

Published by Blackwell Publishers Ltd on behalf of the Political Studies Association

Edited by David Marsh

The British Journal of Politics & International Relations is a major new refereed journal published by Blackwell Publishers under the auspices of the Political Studies Association of the United Kingdom.

The Journal fills a gap in the academic market for work on the United Kingdom. It provides an outlet for, and encourages, the development of rigorous, theoretically informed analysis of British Politics, including the role of Britain in European and world politics. The Journal combines articles on institutions, political processes and policy-making, with work which places British Politics in a wider context, or problematizes the notions of Britain and the UK, and provides a forum for work in any area of political science and international relations which reflects British theoretical traditions and their relationship to other traditions, particularly those of continental Europe.

The British Journal of Politics & International Relations ISSN: 1369-1481.
Volume 2 (2000) contains 3 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk

BLACKWELL
Publishers

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

TESTING THE LIMITS OF INCREMENTALISM: AN EMPIRICAL ANALYSIS OF EXPENDITURE DECISIONS BY ENGLISH LOCAL AUTHORITIES, 1981–1996

GEORGE BOYNE, RACHEL ASHWORTH AND MARTIN POWELL

Studies of budgetary outputs in public organizations are dominated by the theory of incrementalism. This perspective suggests that expenditure decisions are based on simple rules of thumb. We evaluate the validity of incrementalism by examining the annual spending decisions of 403 English local authorities over 15 budgetary cycles. Two budgetary norms are tested empirically: protect the real level of service provision, and follow central expenditure guidelines. Each of these norms is translated into two decision rules: marginality, or the size of deviations from the norm, and regularity, which refers to the consistency of such deviations over time. Few of the statistical results support the hypothesis that local expenditure decisions are dominated by general budgetary norms or specific decision rules. Our evidence therefore casts doubt on the validity of incrementalism as a theory of local budgetary outputs, and as an explanation of spending decisions in the public sector as a whole.

The literature on budgetary decisions in the public sector is dominated by the theory of incrementalism. Indeed, it has been argued that few other areas of academic inquiry are so reliant on a single paradigm (Leloup 1978). Incrementalism suggests that policy makers use 'rules of thumb' in order to deal with the technical and political complexity of expenditure decisions. The nature of these simple decision rules has been investigated by studies of budgeting in international organizations, national governments, and local authorities (Berry 1990; Kraan 1996).

The aim of this paper is to develop the theory and evidence on incrementalism in four ways. First, we interpret the concept of incrementalism as 'adherence to budgetary norms', and argue that such norms may be either created within public organizations or externally imposed upon them. Secondly, we test two specific decision rules that may be used to operationalize a budgetary norm: 'marginality', or the size of annual deviations from expenditure norms; and 'regularity', which concerns the consistency of such deviations over time. Thirdly, we examine the impact of 'environmental shocks' on the extent of incrementalism in local expenditure decisions.

George Boyne is Professor of Public Sector Management and Rachel Ashworth is Research Associate in the Public Services Research Unit, at Cardiff Business School, University of Wales. Martin Powell is Senior Lecturer in Social Policy in the School of Social and Policy Sciences at the University of Bath

Although all budgetary cycles may be incremental, some are likely to be more incremental than others. Our empirical analysis covers a period of 'unprecedented instability' in English local government, for example as a result of financial and structural reforms. Were these external pressures sufficient to destabilize the normal pattern of local budgetary behaviour, or were local spending decisions impervious to such environmental turbulence? Finally, our empirical analysis is much more comprehensive than previous studies of incrementalism in English local government. We examine the annual budgetary decisions of 403 councils over a period of 16 years. This allows the validity of incremental theory to be compared across groups of authorities and over time.

In the first part of the paper we review the literature on concepts and measures of incrementalism, and identify the general norms and specific decision rules that we test empirically. In the second part, we analyse whether expenditure decisions are consistent with the budgetary norms of 'maintain the real level of spending' and 'follow central government spending guidelines'. Finally, we evaluate whether the budgetary norms and decision rules provide a satisfactory statistical explanation of the pattern of local expenditure decisions, and draw conclusions on the validity of incrementalism as a theory of budgetary outputs.

I BUDGETARY INCREMENTALISM: CONCEPTS AND MEASURES

(a) The theory of incrementalism

The concept of incrementalism has been defined in many ways (Berry 1990), and has been applied to decision making in both the private and public sectors (Rajagopalan and Rasheed 1995). Three general uses of the term incrementalism can be identified: first, a description of budgetary outputs, which are usually characterized as incremental if the departure from the expenditure base in the previous year is small; secondly, a description of budgetary processes, which are defined as incremental if little systematic analysis is employed, few alternative policies are evaluated, and the alternatives that are considered are close to existing policies and thirdly, a *theory* of the impact of processes on outputs. Put simply, this suggests that budgetary outputs are incremental because simple decision routines are applied to complex expenditure problems. It is this third interpretation of incrementalism that we test in this paper. Support for the theory of incrementalism requires not only stable patterns of expenditure change, but also that the source of this stability is the use of simple decision rules.

We focus on local authority decisions concerning the annual change in total expenditure. This provides an especially useful context for a test of incremental theory. Previous empirical studies of local authority spending decisions in the UK have found that the explanatory power of incrementalism varies with the level of budgetary aggregation. The larger the expenditure item that is analysed (for example spending on the whole education service rather than sub-services such as library books) the higher the sup-

port for incrementalism (see Danziger 1978; Sharpe and Newton 1984). Thus, our analysis is pitched at a level that is favourable to incremental theory. If empirical evidence on total expenditure fails to confirm the role of incrementalism in local budgetary decisions, it is unlikely that evidence at a more disaggregated level would reverse the findings. In other words, our results are likely to be biased *for* rather than *against* incrementalism, so we are giving the theory a run for its money that is more than fair.

Wildavsky (1964, p. 15) provides the following definition of incremental budgeting: 'The beginning of wisdom about an agency budget is that . . . it is based on last year's budget, with special attention given to a narrow range of increases or decreases. Thus the men who make the budget are concerned with relatively small increments to an existing base'. In other words, budgeting decisions are incremental to the extent that they result in 'marginal' changes in expenditure. Evidence of 'substantial' annual shifts in spending would therefore count as evidence of non-incremental budgeting.

An alternative definition of incrementalism is implicit in Davis, Dempster and Wildavsky's (1966) empirical analysis of expenditure decisions by 56 federal agencies in the USA between 1947 and 1963. Here the emphasis is not on the *size* of expenditure changes but on their *regularity*. Budgetary outputs that are 'non-incremental' are identified on the basis of deviations from an established pattern. Davis, Dempster and Wildavsky's criterion of incrementalism is the persistence of 'routine behaviour' in expenditure decisions. They argue that their empirical results support the incrementalist hypothesis that 'the budgetary process of the United States government is equivalent to a set of *temporally stable* linear decision rules' (Davis, Dempster and Wildavsky 1966, p. 537, emphasis added).

The view that incrementalism consists of regularity rather than marginality in expenditure decisions was subsequently made explicit by Dempster and Wildavsky (1979). This belated clarification was a response to criticisms that incremental theory is severely weakened by evidence that many spending changes are 'large' rather than 'small' (see, for example, Bailey and O'Connor 1975). This line of attack is rebutted (or at least side-stepped) by Dempster and Wildavsky who argue that 'if you want to know whether an incremental method is actually being used, then it is the regularity of the increments or subtractions from past practice that is important' (1979, p. 371); furthermore, 'incremental means stable and non-incremental means unstable' (1979, p. 389). By this definition, budgets that increase at a consistent annual rate of 100 per cent are incremental; and budgets that follow an irregular pattern of annual small changes (such as +1%, +2%, -1%, 0, -3%, -1%) are non-incremental. The application of the conventional criterion of marginality would lead to the opposite conclusion concerning these two patterns of budgetary outputs.

Dempster and Wildavsky's apparent reinterpretation of budgetary incrementalism has been greeted with some dismay and much scepticism. For example, Sharpe and Newton (1984, p. 81) argue that the change of

emphasis from the size to the regularity of expenditure changes 'drains the incremental thesis of much of its status and interest as an explanatory theory'. However, it is possible and useful to conceptualize incrementalism in a way that encompasses both marginality and regularity. If incrementalism is viewed as 'adherence to norms', then the expenditure decisions of organizations may consist of specific decision rules that imply either small or regular changes, depending on the prevailing set of expectations about budgetary behaviour. The important point, as Dempster and Wildavsky (1979) rightly argue, is that the existence of a norm implies *stability* in expenditure decisions. Thus small changes from an existing base may be seen as preserving stability; similarly, regular changes in spending represent another form of stability.

This conceptualization does not imply that *any* simple decision rule is consistent with the theory of incrementalism. Dempster and Wildavsky's (1979) attempt to equate incremental change with regular change notwithstanding, it seems important to retain the central notion that budgetary rules of thumb lead to stability in expenditure decisions. For example, a simple and regular decision process would be to raise expenditure by 100 per cent one year and cut by 100 per cent the next. However, such a pattern hardly represents the budgetary inertia implied by incremental theory. Regularity is consistent with incrementalism, therefore, only if annual expenditure changes are not substantial.

A consequence of conceptualizing incrementalism as adherence to a budgetary norm is that it becomes a purely 'formal' theory which implies stability but makes no specific prediction about the pattern of change in budgetary outputs. Rather, the incrementalist hypothesis is simply that expenditure decisions are governed by routine behaviour that is common to a set of organizations at the same point in time, or persists in a single organization over time. In order to convert this formal theory into a substantive hypothesis, it is necessary to identify the norm that budget makers are assumed to be following. The hypothesis can then be tested by examining whether expenditure decisions reflect that norm. If empirical evidence is consistent with the existence of the norm, then *prima-facie* evidence for incrementalism is provided. If the empirical results are inconsistent with the norm then one of two conclusions is possible: either budget decisions are non-incremental, or the 'wrong' norm has been tested. Of course, it would be possible to 'fish' for an incremental norm by working backwards from budgetary data to a complex decision rule that fits an apparently random pattern of expenditure outputs. However, this procedure would contravene the essence of incremental theory which is that *simple* rules of thumb are used to reduce the complexity of spending decisions.

(b) Budgetary norms in English local government, 1981–1996

The literature on incrementalism generally assumes that budgetary norms reflect the internal characteristics of public organizations, for example the

relative power of 'advocates' (of higher spending) and 'guardians' (of the public purse). This perspective is in keeping with incremental theory which portrays organizations as insulated from external events. An emphasis on internally generated budgetary norms may be appropriate for some organizations in some contexts, but is not relevant to the circumstances of English local authorities since the late 1970s. Local political systems were subject to heavy external constraints on their expenditure choices during this period. Therefore, we evaluate the validity of two budgetary norms that incorporate external forces. One of these norms can be viewed as a reaction to external constraints on local budgetary autonomy, the other as directly imposed on local councils, leaving them with little autonomy in their spending decisions.

The first norm that we identify, 'protect the base', assumes that local authorities seek to increase expenditure sufficiently to maintain the real level of service provision. The rationale for this budgetary norm is simply the difficult fiscal position that local authorities have confronted since the mid-1970s. For example, Elcock *et al.* (1989) analysed budgeting in seventeen local authorities in the 1980s. They conclude that 'the emphasis in all councils facing fiscal stress ... is on policy maintenance' (1989, p. 116). In a general context of cuts in central grant and a static (or declining) tax base, it is very difficult for authorities to expand service provision. Equally, political pressures from service recipients, and real growth in the need for services, imply that reductions in expenditure are also problematic. Therefore a 'middle way' between these opposing forces may be to maintain the status quo. This implies that variations between authorities in the size of the annual change in per capita expenditure will closely reflect the sum required to protect existing service commitments.

The norm of 'protect the base' can be translated into at least two specific decision rules. The first reflects the 'marginality' definition of incrementalism and assumes that only small real changes from the budgetary base will occur. Moreover, this rule is assumed to be constant across councils at a point in time. A second decision rule allows for variations in 'normal behaviour' between councils. According to this rule, councils seek to protect the base through marginal changes in spending, but also follow regular spending policies from one year to the next. In other words, the application of the general budgetary norm is modified by specific local expenditure traditions.

The second budgetary norm that we identify reflects central rather than local expenditure choices. There is no recognition in the literature on incrementalism that expenditure decisions may be directly mandated by an external organization. A budgetary norm of 'follow central guidelines' is, however, relevant to the peculiar (if not unique) position of local authorities in the UK since 1981. In each year, central government has specified the level of expenditure that it deems appropriate for each local council, which is widely believed to have placed very tight constraints on local budgetary

behaviour (see Boyne 1993 for a review of the arguments). This budgetary norm implies that annual changes in per capita expenditure will follow closely the changes prescribed by central government. Two specific decision rules can also be used to operationalize this norm: 'marginality' implies only small deviations from central guidelines, and 'regularity' suggests that such deviations will be consistent in each locality from one year to the next.

The budgetary norm of 'follow central guidelines' may have become more important over time as central government used a succession of financial instruments in order to influence local spending decisions. At the start of the 1980s, grant penalties were imposed on councils that were deemed to be overspending. This policy failed to deliver the results that the centre desired, and was superseded by selective capping of local taxes and then by universal capping in the 1990s. This programme of progressively stronger intervention by central government is likely to have shifted the balance from locally selected to externally imposed norms of budgeting.

(c) Environmental turbulence and incrementalism

If incrementalism is a product of 'normal budgetary behaviour', then non-incremental changes in spending may be the result of abnormal circumstances in the environment of local authorities. As noted above, the theory of incrementalism emphasizes the role of internal budgetary processes (especially political constraints and cognitive limits) rather than external variables. However, some studies of incrementalism do seek to incorporate environmental instability into their empirical models. For example, Davis, Dempster and Wildavsky (1966, p. 531) argue that 'special events that upset the apparent stability of the budgetary process can and do occur . . . it seems plausible to represent such transient events as random shocks to an otherwise deterministic system'. The implication is that such random disturbances are essentially rare and unpredictable. Furthermore, the impact of such disturbances is likely to last for only one budgetary cycle: thereafter, the previous budgetary norm is re-established, or a new norm emerges in response to the altered circumstances (see Cowart 1975; Davis, Dempster and Wildavsky 1974).

The environment of local authorities in the UK has been turbulent for much of the last twenty years. Major changes commenced with financial stringency in the mid-1970s, and proceeded with a series of policy reforms in the 1980s that were intended to unleash market forces in local government (for example compulsory competitive tendering for manual services and the creation of quasi-markets in education, social services and housing). It could therefore be argued that the period 1981 to 1996 is unlikely to show much evidence of incremental budgeting. Indeed, some studies of local authority behaviour in the 1970s and 1980s suggest that the response to fiscal stress was greater instability in budgetary decisions. For example, Greenwood (1979) argues that 'recent financial circumstances have pushed local authorities to become rather less incremental than traditionally has

been the case' (see also Greenwood *et al.* 1980; Ferlie and Judge 1981; Kelly 1989). However, it has also been argued that central government reforms have had the opposite impact: 'an important effect of the measures taken has been to reinforce incremental budgeting at the local level' (Bramley 1985, p. 104). Similarly, Pinch (1995, p. 980) concludes that 'there remains considerable continuity in local authority budgetary behaviour'; and Elcock *et al.* (1989, p. 117) argue that their research shows 'the resilience of incrementalism as a theory of budgeting change'. The extent of incrementalism in local budgetary outputs since the 1970s is thus theoretically and empirically unresolved. Nevertheless, regardless of the *absolute* level of incrementalism, it is possible to hypothesize that three types of event are likely to have reduced the *relative* stability of local expenditure decisions.

First, some authorities have been subjected to structural reforms that have reallocated service responsibilities in the local government system. Such sources of environmental turbulence include the abolition of the Greater London Council and Metropolitan Counties in 1986, and the abolition of the Inner London Education Authority in 1990. We therefore expect that the level of incrementalism will be below average in the London boroughs and metropolitan districts in the relevant years (for a discussion of the financial implications of these reforms see, for example, Riggs 1988; Smith and Watson 1989). Secondly, the introduction of the poll tax in 1990 is likely to have disrupted budgetary norms throughout the local government system, for example as a result of extensive non-payment (Besley *et al.* 1997). Moreover, this reform of local taxation was combined with the nationalization of business rates and the introduction of a new system of central grants. The financial instability was not limited to one year: the chaos and upheaval continued until the poll tax was replaced by the council tax in 1993 (Midwinter and McGarvey 1997). We therefore hypothesize that local budgetary outputs were particularly non-incremental during this period of local tax reform.

Finally, the real value of central government grants to local authorities in England fell in over half of the financial years covered by our analysis (see, Department of Environment, various years). It has been argued that cuts in resources are an important antecedent of budgetary instability (for example Ezzamel and Bourn 1995; Greenwood 1984). Our third hypothesis concerning environmental turbulence is therefore that the explanatory power of incrementalism is weaker in years of grant reductions.

(d) Previous tests of budgetary incrementalism in UK local government

Only a handful of quantitative studies of budgetary incrementalism in UK local government have been undertaken. There are many studies of 'expenditure determinants' which test whether spending decisions are influenced by variables such as service needs, financial resources and party politics (see Boyne 1996; recent examples include Barnett *et al.* 1991; Duncan and Smith 1995; Levaggi 1994). Few of these studies provide much insight into

the role of incrementalism in local expenditure decisions. First, they usually focus on the level of spending rather than annual changes in spending. The level of expenditure in a local authority has been built up over many years, and therefore is a poor operationalization of the concept of a 'contemporary decision'. Secondly, studies of expenditure determinants show little concern with general budgetary norms or specific decision rules. Indeed, they begin from different theoretical assumptions which suggest that expenditure decisions are driven by variables beyond the budgetary process.

Three categories of empirical test of incrementalism can be identified. Only one study examines whether annual changes in total local spending are incremental departures from an existing base. Danziger (1976) analyses budgetary outputs in four county boroughs during the 1960s. A 'normal budget' is defined as sufficient to allow a 'moderate' development of service provision, which may be a reasonable assumption for the fiscal circumstances of the time. Danziger translates this budgetary norm into a specific decision rule of an annual spending increase of 5–15 per cent, and finds that around two-thirds of budgetary decisions fall into this band. He concludes that 'the common view that most changes are marginal alterations from the base seems to be supported' (1976, p. 344). However, this test of incrementalism is unsatisfactory for several reasons.

First, the budgetary norm of a 'moderate development' of service provision is very broad, which effectively stacks the deck in favour of incremental theory. Moreover, annual changes of 15 per cent could quickly lead to an expansion of services by more than half, which is hardly consistent with Danziger's definition of an incremental increase in spending. Secondly, the rule of '5 to 15 per cent' appears to refer to nominal rather than real expenditure. Thus, even in years of fairly low inflation, authorities which selected the bottom of this incremental band may actually have breached the norm of a 'moderate development of services'. Finally, the allocation of spending changes into 'incremental' and 'non-incremental' bands does not provide a formal test of whether inter-authority variations in budgetary decisions are explained by the operation of a simple decision rule. In order to test this hypothesis, it would be necessary to convert Danziger's measure of percentage change (which is constant across authorities) into a measure of monetary change per capita (which varies across authorities). The relationship between the actual change in expenditure per capita and the change implied by the decision rule could then be examined. This would allow formal criteria of statistical significance and explained variance to be used to evaluate the validity of incrementalism.

Several studies test for regularity in budgetary decisions by examining whether expenditure changes are consistent over time. These studies do use formal statistical tests in order to identify the sign and significance of the relationship between expenditure changes in consecutive years. None of the studies identifies the general budgetary norm or specific decision rule that is being tested. Danziger's (1976) empirical analysis of regularity

yields significant coefficients in only four of 24 tests. These significant coefficients are all negative, which implies 'a change configuration in which years of expansion are often followed by years of stability or even decline' (1976, p. 345). A more comprehensive test of regularity in budgetary outputs is provided by Bennett (1984) who analyses expenditure decisions by four groups of English local authorities in five budgetary cycles between 1975 and 1980. The correlation coefficients are significant in 10 of the 20 tests, which seems to provide some support for incrementalism. However, five of the significant coefficients are positive and five are negative; furthermore, in each group of councils there is a mixture of positive, negative and insignificant coefficients. Thus the general pattern of the evidence suggests irregularity rather than regularity in budgetary decisions (for similar results see Hoggart 1983). As with Danziger's test of marginality, however, the tests of regularity fail to take account of inflation. The apparent irregularity of nominal changes in spending may therefore disguise regularity in real changes.

Finally, we come to the most frequent form of test for budgetary incrementalism. This is the correlation of the level of expenditure in one year with that in the previous year. The relationship between spending levels in consecutive years has been analysed longitudinally within single local authorities (for example Danziger 1978; Hoggart 1983) and cross-sectionally across sets of councils (for example Bennett 1984; Boyne 1989; Sharpe and Newton 1984). Such tests invariably produce results that appear to confirm the validity of incremental theory. The correlations between expenditure levels in adjacent years are usually greater than 0.90 and often as high as 0.99. Such results would be unusual in any academic field, let alone in the analysis of the frequently messy and unpredictable process of public policy making. The evidence suggests either that incrementalism is an extraordinarily powerful theory, or that its statistical success is simply too good to be true. We take the latter view, because the high positive correlations demonstrate neither marginality nor regularity in budgetary outputs. For example, if all local councils raise (or reduce) their spending by 20–30 per cent from one year to the next, then the cross-sectional correlation between expenditure in the two years will be strongly positive, even though the change is substantial rather than marginal. Similarly, councils' annual budgetary decisions may be quite irregular but, so long as the 'rank order' positions in the league table of spending are broadly maintained, the correlation between expenditures in successive years will still be highly positive. As Danziger (1978, p. 216) argues, a high correlation between expenditure levels in consecutive years is 'more a statistical artifact than an illuminating explanation' (see also Berry 1986; Schrodt and Ward 1981; Wannat 1974). This statistical problem is removed if expenditure *changes* in successive years are correlated together, because there is no inherent positive relationship between the variables.

In sum, previous empirical analyses of incrementalism in the budgetary

outputs of English local authorities are deficient in several ways. These include a failure to make explicit assumptions about budgetary norms, an absence of formal statistical tests, a focus on nominal rather than real spending, and an examination of historically determined levels of spending rather than contemporary spending changes. Our empirical analysis seeks to remedy these problems, and thereby to provide more valid and comprehensive evidence on the influence of incrementalism on local budgetary outputs.

II EMPIRICAL EVIDENCE ON BUDGETARY INCREMENTALISM

(a) A locally selected budgetary norm: protect the base

We assume that this budgetary norm is a response to fiscal stress, and that local budget makers steer a course between the demands of local taxpayers and the needs of service recipients. The norm of 'protect the base' implies that the real level of spending will be maintained from one year to the next. Thus variations across councils in the change in expenditure per capita will closely reflect the change in service costs.

This general budgetary norm can be translated into two specific decision rules. First, 'marginality' suggests that any deviations from the norm are likely to be small. This rule can be stated formally as:

$$\Delta XPC_{it} = a + b_1 \Delta PTB_{it} + e_{it} \quad \text{Equation I}$$

where:

ΔXPC is the change in total net expenditure per capita from one year to the next,

ΔPTB is the change in net expenditure per capita required to 'protect the base'; in other words, the extra expenditure required for a 'standstill budget' that is adjusted for inflation. The ΔPTB figure has been calculated on the basis of the annual change in local authority costs, rather than the general rate of inflation.

a is a constant,

e is a random error term,

i is an individual local authority,

t is the current financial year,

b_1 is a regression coefficient for the impact of ΔPTB on ΔXPC .

A second decision rule, 'regularity', suggests that any departures from the norm of protect the base are very similar from one year to the next. In other words, the deviation from the norm is consistent over time: councils regularly alter their expenditure by more or less than the amount required to maintain the real level of service provision. Whereas the rule of marginality assumes that there is one method of decision making that is common to all authorities, the rule of regularity assumes that decisions methods vary across authorities but are constant over at least two budgetary cycles (see Tucker 1982, for a discussion of these alternative perspectives on budgetary outputs). The rule of regularity can be stated formally as:

$$\Delta RXP_{it} = a + b_2 \Delta RXP_{it-1} + e_{it} \quad \text{Equation II}$$

where:

ΔRXP is the real change in total net per capita expenditure from one financial year to the next

b_2 is a regression coefficient for the impact of ΔRXP_{it-1} on ΔRXP_{it}

$t-1$ is the previous financial year

a, e, i defined as in Equation I.

Two statistical criteria can be identified for judging the validity of the budgetary norm of protect the base as operationalized in Equations I and II. First, the estimated value of the regression coefficients b_1 and b_2 should be positive and close to one. Coefficients of this magnitude indicate that an extra pound of expenditure required to protect the base is translated exactly into expenditure decisions (Equation I), or that the real change in expenditure in each council is highly consistent over time (Equation II). Secondly, the level of statistical explanation, as indicated by the r^2 , should support the incrementalist hypothesis that budgetary decisions are 'dominated' by simple decision rules. This implies that at least 50 per cent of the variation in expenditure changes should be explained by the statistical models.

The results of testing Equation I are shown in table 1. In this and subsequent tables, the same r^2 figure may be statistically significant in some groups of authorities but not others because of variations in the sample size. However, the formula for the calculation of statistical significance takes sample size into account, so it is possible to compare directly whether the magnitude of the r^2 is greater than would be likely to occur by chance alone. In all groups of authorities, an r^2 of greater than 50 per cent is significant at 0.05 or better.

The empirical evidence in table 1 offers little support for the marginality model. The level of statistical explanation is generally low and insignificant. The r^2 figures are significant in only 24 of the 75 budgetary cycles, and the levels of statistical explanation are above 50 per cent in only three cases (the inner London boroughs in 1993/4, and the outer London boroughs in 1981/2 and 1984/5). Furthermore, only one of the regression coefficients for ΔPTB is not significantly different from one (in the outer London boroughs in 1983), and 12 of the coefficients are significantly *negative*. This suggests that authorities in which the spending increase required to protect the base was above average had actual increases below average, and vice versa.

The evidence for the regularity decision rule is shown in table 2. The levels of statistical explanation are again generally low. Only 25 of the 75 tests yield significant results, and a majority of the regression coefficients for ΔRXP are negative rather than positive. Thus, if there is a pattern of regularity in budgetary outputs, it is that an above average spending increase in one year is followed by a below average increase the next. How-

TABLE 1 *The incremental norm of 'protect the base': marginality*

Year	Inner London			Outer London			Met Districts			Non-Met Districts			English Counties		
	b	r ²	n	b	r ²	n	b	r ²	n	b	r ²	n	b	r ²	n
1982	-.43	.05	12	1.6	.50***	20	-.58	.09	36	.11	.00	296	2.7	.14*	39
1983	1.6	.16	12	1.0	.30*	20	.75	.13*	36	.20	.01	296	-1.0	.07	39
1984	2.4	.36*	12	-1.0	.22*	20	-.34	.04	36	-.02	.00	296	.27	.01	39
1985	-.94	.03	12	4.4	.68***	20	2.3	.16*	36	.49	.00	296	.15	.00	39
1986	2.5	.05	12	3.1	.42**	20	.62	.01	36	.91	.01	296	4.0	.10*	39
1987	1.6	.24	11	-1.7	.14	20	-.27	.12*	35	-.51	.00	296	2.7	.15*	39
1988	1.3	.25	10	-.99	.07	19	.23	.01	35	.10	.00	296	1.3	.08	39
1989	-.81	.02	10	2.6	.37**	18	.92	.02	35	.75	.00	296	-5.6	.04	39
1990	-.92	.00	11	1.4	.09	18	-.19	.12*	36	-3.3	.10***	296	.28	.00	39
1991	-2.4	.15	11	-1.3	.17	20	1.6	.09	34	-3.0	.24***	296	-1.3	.07	39
1992	.47	.09	11	-1.8	.02	20	.60	.10	34	-1.9	.18***	296	1.1	.04	39
1993	-2.2	.58*	11	-2.9	.05	20	.56	.04	34	-4.4	.14***	296	-6.5	.14*	39
1994	2.4	.14	12	-3.5	.24*	20	-.02	.00	35	-13	.32***	296	-1.8	.00	39
1995	-1.7	.03	12	-2.5	.06	20	-1.8	.16*	36	-.00	.00	296	-3.1	.13*	38
1996	3.5	.23	12	.52	.10	20	1.3	.06	36	-2.9	.04***	274	6.4	.06	35

Notes for tables 1-4: Data sources:

1. *Finance and General Statistics* (London: CIPFA); *Local Government Financial Statistics* (London: HMSO).2. Significance levels: * ≤ 0.05 , ** ≤ 0.01 , *** ≤ 0.001 .3. The significance levels show whether the bs and the r²s are significantly different from zero; separate tests were conducted in order to establish whether the bs were significantly different from one.

4. n = sample size. The N for each group of councils is 12 inner London boroughs, 20 outer London boroughs, 36 metropolitan districts, 296 non-metropolitan districts, and 39 non-metropolitan counties.

TABLE 2 *The incremental norm of 'protect the base': regularity*

Year	Inner London			Outer London			Met Districts			Non-Met Districts			English Counties		
	b	r ²	n	b	r ²	n	b	r ²	n	b	r ²	n	b	r ²	n
1981/82	.00	.00	12	.71	.44**	20	-.22	.04	36	-.05	.00	296	.03	.00	39
1982/83	-.37	.24	12	.91	.28*	20	-.28	.04	36	.02	.00	296	-.60	.05	39
1983/84	-.37	.66*	12	-.71	.28*	20	-.61	.13*	36	.12	.02*	296	.07	.00	39
1984/85	-.32	.16	12	-.07	.02	20	.13	.12*	36	.05	.01*	296	-.07	.02	39
1985/86	.04	.01	12	.36	.25	20	-.05	.00	36	-.47	.40***	296	7.6	.03	39
1986/87	-.78	.11	11	.20	.06	20	-.31	.24**	35	-.14	.04***	296	.04	.00	39
1987/88	-.39	.10	10	-.93	.65***	19	-.07	.00	35	-.19	.01*	296	-.14	.01	39
1988/89	.36	.56*	10	.03	.00	19	-.33	.16*	35	-.11	.07***	296	-.18	.04	39
1989/90	-.21	.32	10	-.12	.02	19	-.27	.08	35	-.39	.28***	296	-.10	.04	39
1990/91	-.87	.34	11	-.07	.00	19	.46	.23**	34	-.52	.14***	296	-.18	.02	39
1991/92	1.7	.18	11	.55	.05	20	.45	.04	34	-.31	.04**	296	.50	.11*	39
1992/93	-.29	.13	11	.37	.07	20	-.15	.03	34	.02	.00	296	.36	.23**	39
1993/94	-.50	.31	11	-.07	.04	20	.61	.09	34	-.89	.68***	296	.61	.11*	39
1994/95	.09	.01	12	-.07	.01	20	.01	.00	35	.07	.00	296	-.05	.01	38
1995/96	.63	.24	12	2.6	.17	20	-.08	.01	36	-.21	.14***	274	-.06	.01	35

ever, this cycle of 'growth and decline' is not uniform either within groups of councils or over time: in each set of authorities there are positive and negative coefficients, sometimes in adjacent years (for example, inner London boroughs in 1982/3 and 1983/4). Moreover, there is no evidence of the presence of a 'repeat cycle' in budget making (for example growth in the first and third years, decline in the second and fourth). Thus the results imply temporal instability rather than stability in budgeting.

In sum, the tests of Equations I and II provide little evidence that a budgetary norm of 'protect the base' has dominated local expenditure decisions, nor that specific decision rules of marginality or regularity have been followed.

(b) A centrally imposed budgetary norm: follow central expenditure guidelines

This second budgetary norm is assumed to reflect the external imposition of spending decisions on local authorities. In contrast to 'protect the base', this norm is not a *response* to external circumstances such as the rate of inflation. Rather, no choice as such is exercised: local policy makers simply follow the instructions that they receive from central government. This is, in effect, the ultimate method for simplifying expenditure decisions: instead of selecting a rule of thumb for themselves, local authorities comply (perhaps reluctantly) with a budgetary norm that has been chosen for them.

This perspective assumes that it is possible to identify clearly the local budgetary behaviour that central government desires. In order to assess empirically the validity of models of low (or no) fiscal autonomy, it is necessary to specify central objectives (Boyne 1993). There are, however, several interpretations of the norm of 'follow central guidelines'. The specific decision rule of marginality suggests that any deviations from central guidelines are likely to be small. This can be operationalized in at least two ways. The rule could imply that local councils should change their expenditure per capita in line with the change in central assessments of expenditure need (Grant Related Expenditure Assessments from 1981/2 to 1989/90; Standard Spending Assessments thereafter). More formally, this model can be stated as:

$$\Delta \text{AXPC}_{it} = a + b_3 \Delta \text{CASN}_{it} + e_{it} \quad \text{Equation III}$$

where:

AXPC is net expenditure per capita minus specific grants. The latter are not contained in central assessments of local expenditure need, and therefore must be subtracted in order to judge local compliance with central guidelines,

ΔCASN is the annual per capita change in Central Assessment of Spending Need,

b_3 is the regression coefficient for the impact of ΔCASN on ΔAXPC, other terms defined as in Equation I.

An alternative interpretation of the decision rule of marginality is that councils attempt to alter their spending in order to 'hit' their central guideline of expenditure need. In other words, even if ΔCASN is positive, councils may cut their spending in order to obey central instructions if they are already above the guideline. Similarly, councils that are well below their guideline figure may raise their expenditure by substantially more than ΔCASN . This decision rule can be stated formally as:

$$\Delta\text{AXPC}_{it} = a + b_4 \Delta\text{RHCT}_{it} + e_{it} \quad \text{Equation IV}$$

where

ΔRHCT is the change in spending Required to Hit the Central Target,
 b_4 is the regression coefficient for the impact of ΔRHCT on ΔAXPC ,
 other terms as defined in Equations I and III.

The statistical criteria for assessing the validity of these incremental decisions rules are again that the r^2 should be greater than 50 per cent, and that the size of the coefficients b_3 and b_4 should be approximately one. A coefficient of one would indicate that, on average, an extra pound of assessed need is translated into an extra pound of expenditure (Equation III); or that the movement in local expenditure (up or down) is exactly that required to match the central guideline (Equation IV).

The statistical results for Equation III are shown in table 3. The level of empirical support for this interpretation of incrementalism is higher than that for 'protect the base'. This decision rule produces significant results in 30 of the 75 tests, and all but two of these yield a positive relationship between the change in central guidelines and the change in spending. However, the results do not support the view that incrementalism 'dominates' local expenditure decisions. More than half of the variation in ΔAXPC is explained statistically by ΔCASN in only six cases. Furthermore, the value of the regression coefficient b_3 is close to one in only a handful of the tests.

The empirical evidence on the second interpretation of 'follow central guidelines' is presented in table 4. The results suggest that local budgetary decisions are more strongly influenced by the decision rule of 'hit the central target' than by 'change spending in line with the change in the target'. The test of Equation IV produces statistically significant positive coefficients in 31 of the 75 cases, and the mean r^2 is around 8 per cent higher than that for Equation III. The results also indicate that this incremental decision rule has become more important over time. The extra adherence to central guidelines probably reflects the introduction of 'universal capping' of local budgets in 1991. For budget decisions during the 1980s, only 9 of the 40 tests produce significantly positive coefficients; by contrast, 22 of the 35 coefficients for the 1990s are significantly positive. Nevertheless, the evidence still does not suggest that incrementalism dominates local expenditure decisions. Even in the 1990s, the mean r^2 for the relationship between ΔAXPC and ΔRHCT is only 0.35.

In addition to these two marginality decision rules, we also tested two

TABLE 3 *The incremental norm of 'follow central guidelines': change spending in line with the change in assessed need*

Year	Inner London			Outer London			Met Districts			Non-Met Districts			English Counties		
	b	r ²	n	b	r ²	n	b	r ²	n	b	r ²	n	b	r ²	n
1982	.28	.02	12	.98	.67***	20	.09	.01	36	.18	.07***	296	1.2	.19**	39
1983	.61	.07	12	1.4	.01	20	-.19	.03	36	.22	.06***	296	.32	.07	39
1984	-.93	.11	12	1.1	.31*	20	.32	.16*	36	.17	.02*	296	.39	.19**	39
1985	.77	.12	12	2.0	.46**	20	.89	.45***	36	-.08	.00	296	.47	.32***	38
1986	1.1	.74***	12	1.2	.72***	20	.02	.00	36	.67	.08***	296	.63	.15*	38
1987	-.48	.03	11	-.68	.03	20	1.3	.10	35	.06	.00	296	.81	.21**	39
1988	.58	.16	10	.48	.01	19	1.0	.41	35	.10	.02*	296	.85	.10	39
1989	-.54	.01	10	.49	.05	18	1.3	.55***	35	-.28	.32***	296	.39	.03	39
1990	1.4	.89***	11	.62	.19	18	.35	.05	36	-.57	.06***	296	.58	.14*	39
1991	.21	.15	11	-.01	.00	20	1.0	.41***	34	.07	.00	296	.57	.16*	39
1992	-.02	.03	11	.03	.04	20	.60	.22**	34	.01	.00	296	.78	.25**	39
1993	-.30	.02	11	.29	.25*	20	.48	.26**	34	-.06	.00	296	.33	.13*	39
1994	.26	.25	12	.21	.11	20	.13	.15*	35	.01	.00	296	.11	.14*	39
1995	.94	.88***	12	.29	.10	20	.05	.11*	36	.01	.01	294	.00	.00	38
1996	-.93	.07	12	.25	.13	20	-.00	.00	36	.30	.05***	274	.01	.02	35

TABLE 4 *The incremental norm of 'following central guidelines': change spending to hit the central target*

Year	Inner London			Outer London			Met Districts			Non-Met Districts			English Counties		
	b	r ²	n	b	r ²	n	b	r ²	n	b	r ²	n	b	r ²	n
1982	.14	.17	12	-.21	.10	20	.11	.10	36	.02	.00	296	.39	.12*	39
1983	-.12	.07	12	-.14	.19	20	-.06	.07	36	-.01	.00	296	.17	.24**	39
1984	-.20	.43*	12	.09	.17	20	.07	.31***	36	.01	.00	296	.13	.16*	39
1985	.07	.06	12	-.45	.57***	20	.00	.00	36	-.05	.01	296	.05	.01	38
1986	.17	.04	12	-.10	.02	20	-.10	.03	36	.19	.08***	296	.09	.01	39
1987	.14	.21	11	.42	.30*	20	.54	.63***	35	.12	.02*	296	.00	.00	39
1988	.21	.69**	10	.42	.32	19	.45	.41***	35	.00	.00	296	-.03	.00	39
1989	.32	.20	10	-.31	.08	18	.07	.00	35	-.22	.25***	296	.07	.03	39
1990	.84	.53*	11	.27	.08	18	.44	.30	36	.24	.24***	296	.13	.03	39
1991	.23	.30	11	.15	.17	20	.71	.85***	34	.10	.09***	296	.36	.55***	39
1992	.02	.00	11	.48	.53***	20	.40	.36***	34	.05	.07***	296	.32	.63***	39
1993	.56	.80***	11	.95	.96***	20	1.0	.99***	34	.06	.02*	296	.84	.81***	39
1994	.07	.02	12	.21	.13	20	.13	.40*	35	.30	.29***	296	.14	.27**	39
1995	.33	.63**	12	.65	.57***	20	.05	.52*	36	.02	.01	294	.00	.01	38
1996	-.15	.11	12	.08	.13	20	-.00	.00	36	.25	.20***	274	.83	.75***	35

regularity rules for the norm of 'follow central guidelines'. The first of these assumed that, over time, each local council deviated consistently from the change in expenditure implied by the change in its central guideline (i.e. a regularity interpretation of Equation III). The second regularity rule assumed that each council departed consistently from the change in spending required to hit the central target (i.e. a regularity interpretation of Equation IV). We found very little support for these models. Out of 150 tests, only 10 produced statistically significant coefficients, roughly the same number that would be generated by chance alone (see Mock and Weisberg 1992).

(c) Environmental shocks and budgetary outputs

In order to investigate whether the extent of incrementalism is influenced by environmental turbulence, we compared the statistical results for Equations I to IV in years of major structural or financial upheaval with the results in other years between 1981 and 1996. As explained above, the abnormal or 'environmental shock' years were defined as the period of local tax reform (1990/1 to 1992/3 for all authorities), 1986/7 for the London boroughs and Metropolitan districts, and years in which central grants fell in real terms. A summary of the fit of the models in the relevant budgetary cycles is shown in tables 5 and 6. The figures provide a comparison of the average regression coefficient (b) and level of statistical explanation (r^2) for each of the incremental decision rules.

The pattern of the evidence suggests that the statistical fit of the models is not influenced by the presence or absence of environmental shocks. When both the value of the regression coefficient and the size of the r^2 are taken into account, structural reorganization, local tax reform and grant cuts seem to make little difference to the level of support for incrementalism. In table 5, the models perform equally well (or badly) in 8 of the 20 paired comparisons (for example Equation I in the counties); the results for 'non-shock' years are better in six of the comparisons (for example Equation IV in the outer London boroughs); and the results for 'shock' years are better six times (for example Equation III in the inner London boroughs). The pattern of results in table 6 is similar.

If we had found widespread evidence in support of incremental theory, then these results would suggest that local budgeting is heavily insulated from external events, and that expenditure norms can withstand environmental turbulence. However, our evidence indicates that incrementalism is a weak explanation of expenditure changes. The data in tables 5 and 6 therefore simply provide further confirmation that incremental models have limited relevance to local spending decisions: the simple decision rules that we have investigated perform just as poorly in normal as in abnormal circumstances.

TABLE 5 Comparison of results in years of 'environmental shock' with results in other years: structural reorganization and local tax reform

Authority group	Protect the base						Follow central guidelines					
	Equation I			Equation II			Equation III			Equation IV		
	Shock		Non-shock	Shock		Non-shock	Shock		Non-shock	Shock		Non-shock
	b	r ²	b	r ²	b	r ²	b	r ²	b	r ²	b	r ²
Inner London	-0.09	.07	0.61	0.19	-0.06	0.19	0.70	0.45	0.60	0.16	0.31	0.22
Outer London	0.35	0.17	0.14	0.25	0.26	0.04	0.46	0.24	0.62	0.19	0.20	0.20
Met Districts	0.23	.08	0.06	0.07	0.17	0.13	0.49	0.17	0.48	0.20	0.35	0.56
N.M. Districts	-2.73	0.17	0.45	0.04	-0.27	0.06	-0.16	0.02	0.11	0.05	0.13	0.13
English Counties	0.86	0.04	0.51	0.08	0.23	0.06	0.64	0.18	0.46	0.13	0.27	0.40
											0.22	0.20

Note: Shock years = 1986 in London and Metropolitan Districts, 1990-1993 in all councils

TABLE 6 *Comparison of results in years of 'environmental shock' with results in other years: cuts in central grant*

Authority group	Protect the base						Follow central guidelines									
	Equation I			Equation II			Equation III			Equation IV						
	Shock		Non-shock	Shock		Non-shock	Shock		Non-shock	Shock		Non-shock				
	b	r ²	b	r ²	b	r ²	b	r ²	b	r ²	b	r ²				
Inner London	0.07	0.08	0.38	0.25	-0.20	0.24	0.05	0.24	0.51	0.36	-0.03	0.15	0.28	0.32	0.09	0.27
Outer London	0.99	0.29	-1.43	0.17	0.37	0.20	0.12	0.15	0.67	0.28	0.55	0.13	0.09	0.25	0.29	0.36
Met Districts	-0.31	0.09	0.52	0.08	-0.24	0.09	0.03	0.13	0.71	0.22	0.39	0.20	0.19	0.25	0.37	0.50
N.M. Districts	-0.18	0.01	-1.61	0.15	-0.24	0.13	-0.16	0.12	-0.08	0.07	0.07	0.01	0.04	0.07	0.08	0.08
E. Counties	0.93	0.08	-1.27	0.05	0.80	0.09	0.16	0.07	0.62	0.14	0.42	0.16	0.09	0.03	0.33	0.44

Note: Shock years = cuts in grants in 1982, 1985-90, 1995

CONCLUSION

In this paper we have argued that the concept of incrementalism should be interpreted as 'adherence to budgetary norms'. Accordingly, spending decisions that are inconsistent with budgetary norms can be regarded as 'non-incremental'. We also argued that budgetary norms can be either chosen by policy makers in response to external circumstances, or directly imposed upon them by another organization. Furthermore, empirical support for the theory of incrementalism requires that budgetary outputs are influenced strongly by a rule of thumb.

Our empirical analysis of incrementalism covered 403 local authorities and 16 financial years. This comprehensive set of evidence offers little support for the two general budgetary norms and two specific decision rules that we examined. The best fitting statistical model was based on the assumption that local decision makers use a simple rule of 'hit the central expenditure target'. Even the results for this model, however, failed to demonstrate that incrementalism dominates local spending decisions. It is also worth noting that the statistical performance of the 'regularity' models was particularly unimpressive. Dempster and Wildavsky's (1979) attempt to save the theory of incrementalism by this route seems to lead to a dead end.

Of course, as noted in the first part of the paper, we may have failed to identify the appropriate budgetary norm and decision rule. However, we have examined the two interpretations of incrementalism that are implied most strongly by the literature on local government finance in the 1980s and 1990s. It could also be argued that the financial environment of local government was so turbulent during our study period that no stability or normality in expenditure decisions was possible. Yet, our evidence shows that the fit of the statistical models was similar in years of environmental shocks and in other years. A final caveat is that we have tested 'as if' models of incrementalism. In other words, we have not measured decision routines directly, but instead have investigated the correspondence between a number of hypothetical rules of thumb and actual budgetary outputs. However, even when the characteristics of local budgetary processes have been measured, no significant relationship with expenditure changes has been identified (for example Greenwood, Hinings and Ranson 1977).

We therefore conclude that our results cast considerable doubt on incrementalism as a theory of local spending decisions. Although we have not undertaken a direct empirical comparison of incrementalism and other theoretical perspectives in this paper, it is worth noting that a better statistical explanation of changes in spending has been provided by studies which incorporate explanatory variables beyond the budgetary process, such as service needs and intergovernmental grants (for example Boyne 1990). It remains to be seen whether there is a close correspondence between budgetary norms and expenditure decisions in other governmental organizations, nations, or time periods. The evidence in this paper, however, may turn

out to be the first of a series of small (or perhaps regular) steps away from incrementalism, and towards alternative theories of local budgetary outputs.

REFERENCES

- Bailey, J. and R. O'Connor 1975. 'Operationalizing incrementalism: measuring the muddles', *Public Administration Review* 35, 60–66
- Barnett, R., R. Levaggi and P. Smith 1991 'An incremental budgeting model of local public expenditure setting in the presence of piecewise linear budget constraints', *Applied Economics* 23, 949–56
- Berry, W. 1986. 'Testing budgetary theories with budgetary data: assessing the risks', *American Journal of Political Science* 30, 597–627
- 1990 'The confusing case of budgetary incrementalism: too many meanings for a single concept', *Journal of Politics* 52, 167–96
- Bennett, R. 1984 'A bureaucratic model of local government tax and expenditure decisions', *Applied Economics* 16, 257–68
- Besley, T., I. Preston and M. Ridge. 1997. 'Fiscal anarchy in the UK: modelling poll tax noncompliance', *Journal of Public Economics* 64, 137–52.
- Boyne, G.A. 1989 'Explaining budgetary outputs' in H. Elcock, G. Jordan and A. Midwinter, *Budgeting in local government*, London: Longman
- 1990. 'Central grants and local policy variation', *Public Administration* 68, 207–33.
- 1993. 'Central controls and local autonomy: the case of Wales', *Urban Studies* 30, 87–101
- 1996. *Constraints, choices and public policies*. London: JAI Press
- Bramley, G. 1985 'Incrementalism run amok? Local government finance in Britain', *Public Administration* 63, 100–7.
- Cowart, T. 1975 'Expanding formal models of budgeting to include environmental effects', *Policy and Politics* 4, 53–66
- Danziger, J. 1976 'Assessing incrementalism in British municipal budgeting', *British Journal of Political Science* 6, 335–50
- 1978 *Making budgets* London: Sage
- Davis, O., M. Dempster and A. Wildavsky 1966 'A theory of the budgetary process', *American Political Science Review* 60, 529–47.
- 1974. 'Towards a predictive theory of government expenditure: US domestic appropriations', *British Journal of Political Science* 4, 419–52
- Dempster, M. and A. Wildavsky 1979 'On change or, there is no magic size for an increment', *Political Studies* 27, 371–89
- Department of Environment (various years) *Local government financial statistics*. London: HMSO
- Duncan, A. and P. Smith 1995 'Modelling local government budgeting choices under expenditure limitation', *Fiscal Studies* 16, 95–110
- Elcock, H., G. Jordan and A. Midwinter 1989 *Budgeting in local government*. London: Longman
- Ezzamel, M. and M. Bourn. 1995 'Budget allocation in a UK University: contrasting periods of resource availability with resource scarcity', *Journal of Management Studies* 32, 313–35
- Ferlie, E. and K. Judge 1981. 'Retrenchment and rationality in the personal social services', *Policy and Politics* 9, 311–30
- Greenwood, R. 1979 'The local authority budgetary process' in T. Booth, (ed.), *Planning for welfare* Oxford: Martin Robertson
- 1984 'Incremental budgeting: antecedents of change', *Journal of Public Policy* 4, 277–306.
- Greenwood, R., C. Hinings and S. Ranson 1977 'The politics of the budgetary process in English local government', *Political Studies* 25, 25–47
- Greenwood, R., C. Hinings, S. Ranson and K. Walsh 1980 'Incremental budgeting and the assumption of growth' in M. Wright (ed.), *Public expenditure decisions* London: Allen and Unwin.
- Hoggart, K. 1983. 'Explaining policy outputs. English county boroughs 1949–1974', *Local Government Studies* 9, 6, 57–68.

- Kelly, A. 1989 'An end to incrementalism? The impact of expenditure restraint on social services budgets, 1979-1986', *Journal of Social Policy* 18, 187-210.
- Kraan, D. 1996. *Budgetary decisions*. Cambridge: Cambridge University Press.
- Leloup, L. 1978 'The myth of incrementalism: analytical choices in budgetary theory', *Polity* 8, 488-509.
- Levaggi, R. 1994 'The estimation of British local government expenditure decisions under a piecewise linear budget constraint', *Applied Economics* 26, 1099-107.
- Midwinter, A. and N. McGarvey. 1997. 'The reformed system of local government finance in Scotland', *Policy and Politics* 25, 143-151.
- Mock, C. and H. Weisberg. 1992. 'Political innumeracy: encounters with coincidence, improbability, and chance', *American Journal of Political Science* 36, 1023-46.
- Pinch, P. 1995. 'Governing urban finance: changing budgetary strategies in British local government', *Environment and Planning A* 27, 965-83.
- Rajagopalan, N. and A. Rasheed. 1995 'Incremental models of policy formulation and non-incremental changes', *British Journal of Management* 6, 289-302.
- Riggs, D. 1988 'Implications of local government reforms in London', *Public Money and Management* 8, 3, 57-60.
- Schrodt, P. and M. Ward. 1981 'Statistical inference in incremental and difference equations', *American Journal of Political Science* 25, 815-32.
- Sharpe, L.J. and K. Newton. 1984. *Does politics matter?* Oxford: Clarendon.
- Smith, S. and S. Watson. 1989. 'Consequences of the abolition of the Inner London Education Authority', *Fiscal Studies* 9, 68-85.
- Tucker, H. 1982. 'Incremental budgeting: myth or model?', *Western Political Quarterly* 35, 327-38.
- Wannat, J. 1974. 'Bases of budgetary incrementalism', *American Political Science Review* 68, 1221-8.
- Wildavsky, A. 1964. *The politics of the budgetary process*. Boston: Little, Brown.

Date received 8 January 1998. Date accepted 23 June 1998.

Australian Journal of Public Administration

Published by Blackwell Publishers on behalf of the
Institute of Public Administration Australia

Edited by Glyn Davis and John Wanna

Aimed at a diverse readership, the *Australian Journal of Public Administration* is committed to the study and practice of public administration, public management and policy making. It encourages research, reflection and commentary amongst those interested in a range of public sector settings - federal, state, local and inter-governmental. The journal focuses on Australian concerns, but welcomes manuscripts relating to international developments of relevance to Australian experience.

Australian Journal of Public Administration ISSN: 0313-6647. Volume 59 (2000) contains 4 Issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk



108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

CONTRACT BUDGETING

MARC ROBINSON

Contract budgeting attempts to reconfigure public budgeting as a system of purchase contracts between provider agencies and central government. It draws its inspiration from a simple model of contract in which the purchaser buys clearly specified outputs from a provider at a pre-agreed price. Contract budgeting thus represents a fusion of output-based budgeting schemas with the newer enthusiasm for placing the public sector on a 'market' footing. This paper reviews the problems which confront any form of output based budgeting, and then analyses the specific issues of contractualization. It concludes that contract budgeting does not well fit the realities of budgeting in a complex public sector.

INTRODUCTION

Contract budgeting aims to transform the relationship between government and its budget-dependent line agencies from a *funding* relationship into a *purchase* relationship. Its intended *modus operandi* is that central decision makers (Cabinet and ministers, advised by the finance ministry) determine the outputs which they wish agencies to produce, and then 'contract' with those agencies to purchase those outputs for an agreed price. The budget would then appropriate the amounts payable to agencies pursuant to those contracts. In this context, *output* refers to the good or service provided by government to the community, and may be contrasted with an *outcome*, which refers to the social benefits resulting from the provision of the output. Thus, for example, infant vaccinations are an output, while the consequent reduction in infant mortality and morbidity is the outcome.

The idea of placing budgeting on a somewhat more 'contractual' footing is one which has been influential in a number of countries in recent years. In Britain, for example, the Financial Management Initiative conceived of budgeting as a 'contract for performance' (Schick 1990). However, it has been in New Zealand, following the passage of Public Finance Act, 1989, that the first sustained attempt has been made to thoroughly contractualize the budget (Boston *et al.* 1996). The New Zealand Treasury (1996, pp. 38–9) describes the system as follows:

The idea of contracting is central to the public sector management system. Outputs to be supplied by chief executives must be clearly specified with a description of the goods and services to be produced including information about quality, quantity, cost and time and place of delivery

Marc Robinson is an Associate Professor in the School of Economics and Finance at Queensland University of Technology, Brisbane

... Purchase agreements between Ministers and departments specify individual outputs in terms and conditions similar to private sector contracts.

The New Zealand system – at least as it is intended to operate – can therefore be taken as an archetype of contract budgeting. New Zealand-style contract budgeting has acquired a growing international following (for example Fitzgerald 1996, pp. 53–4). The American public sector management gurus, David Osborne and Ted Gaebler, have enthused about the idea (Osborne and Gaebler 1993, p. 161). Indeed, they advocate going even further, through the adoption of a form of contract budgeting which pays agencies for outcomes rather than outputs (p. 139).

Contract budgeting represents a fusion of two elements: firstly, the drive for the reconstruction of government along 'market' lines and, secondly, the doctrines of programme budgeting.

Programme budgeting has been influential around the world since the 1960s, and budgets in many countries still reflect its influence. Prior to the advent of programme budgeting, the annual budgets of government departments and similar 'budget sector' agencies had typically been estimated and then appropriated by parliaments in terms of 'line item' (input) categories. Programme budgeting initially sought to recast the process of budgeting into one in which expenditure was planned primarily in terms of output categories ('programmes'), and it was for this reason that programme budgeting was referred to as 'output budgeting' in a number of countries including Britain. The objective was to transform the budget into a key instrument for achieving allocative efficiency. Indeed, the original intention was that central decision makers would use programme budgeting to ensure whole-of-government 'allocative optimization' – that is, to ensure that the mix of outputs produced by all budget-financed agencies was such as to deliver the maximum possible level of utility to citizens, given the aggregate level of public expenditure.

Over the past decade, 'market' models have increasingly been applied to the provision of tax-financed government services. The 'quasi-market' systems introduced by the Thatcher government in health and certain other sectors (le Grand and Bartlett 1993) – themselves heavily influenced by American models – have been enormously influential in this. One element of this movement which has been particularly worthwhile, notwithstanding its relatively limited application and achievements, has been the attempt to increase responsiveness to consumer needs by giving consumers more of a purchaser role. More relevant to this paper, however, has been the drive to subject agencies which produce tax-financed goods and services to market-type pressures even when it is inappropriate or unfeasible to endow the consumer with a direct purchaser role. Fundamental to this has been the attempt to simulate a purchaser/provider split, with formal 'contracts' governing the terms upon which providers receive payment for the pro-

vision of defined outputs. Such a restructuring of relations between public provider agencies and their 'owner' has been viewed as facilitating competitive tendering in which internal providers and potential external providers are placed upon an equal footing.

In essence, contract budgeting attempts to extend the purchaser/provider split and the associated model of contracting for the purchase of outputs to the totality of core government – that is, to *all* tax-financed goods and services. It thus extends the market remodelling of the public sector model much further than it has been taken in Britain or most other countries.

This article is a theoretical appraisal of the contract budgeting idea. Empirically, it makes considerable reference to the New Zealand experience precisely because New Zealand has attempted by far the most thoroughgoing application of the contract budgeting principle across government. However, the bulk of the analysis is general, and will apply to other countries to the (increasingly significant) extent that they too seek to place their budgets on a 'contractual' footing.

PLANNING AND MONITORING BUDGETS ON AN OUTPUT BASIS

Stripped of its contractualist garb, contract budgeting is scarcely distinguishable from programme budgeting. The superficiality of many of the changes made in the New Zealand move to contract budgeting from its prior system of programme budgeting (New Zealand Treasury 1967) – such as the redesignation of budgetary 'programmes' as 'output classes' – is indicative of this. It is therefore rather remarkable that exponents of contract budgeting do not appear to recognize the close family connection with programme budgeting, and appear correspondingly unaware of the lessons of long practical experience with the programme budgeting (for which see Wildavsky 1979; Mosher 1969; Gross 1969; Schick 1973; Savoie 1990; Robinson 1996a; Sorber 1993).

The lesson of the programme budgeting experience which is most relevant to contract budgeting is that comprehensive budgetary central planning to achieve overall allocative optimization is impracticable. It is simply not feasible for central budgetary decision makers, whether at the cabinet or finance ministry level, to make an informed set of allocative choices between the totality of individual types of output produced across government. In an attempt to make sense of the idea of a central allocative master plan, programme budgeting in practice conceived of central decision makers as making allocative choices between *classes* of output, as represented by 'programmes'. The only way of producing a tractable number of programmes is to define them in a highly aggregated manner, which means including within programmes (and 'sub-programmes') rather disparate groups of individual outputs. However, the more aggregated the programmes become, the less useful they are bound to prove for allocative decision making. The result is a structural tension between, on the one

hand, a desire to limit the number of programmes to a manageable number and, on the other hand, an impetus to disaggregate programmes so as to make them more decision relevant.

This structural tension has been played out again as part of the New Zealand contract budgeting experiment, illustrating the truth of the old adage that those who do not learn from history are bound to repeat the mistakes of the past. In an initial attempt to improve the usefulness of the budget as an allocative tool, the number of 'output classes' increased enormously (from 56 to 774) in the early 1990s relative to the number of programmes in the previous programme budgeting (Warren 1996, p. 5). Since then, the pressures for rationalization have been growing, first from the 1991 *Review of State Sector Reforms* (Logan 1991, pp. 9, 95–7) and more recently from Allen Schick in his excellent review of the New Zealand reforms (Schick 1996, pp. 75–6).

The other lesson of experience is that it is a mistake to think that budgets can be worked out by determining desired levels of outputs at given unit costs of production. One of the reasons for this is the severe measurement difficulties which affect many public sector outputs. While services like customs clearances and visa processing are, arguably, characterized by a significant degree of output homogeneity and measurability, this is not true for many other public sector outputs. The 'output' policy advice is, for example, an archetypal example both of heterogeneity (i.e. the degree of cost and effort involved in individual policy advice exercises will tend to vary considerably) and of ambiguity in defining the unit of output (a single policy output might, for example, be decomposed into two related policy advice tasks and recorded as two units of output). It is easy to think of many other public sector outputs which are characterized by considerable heterogeneity and/or ambiguity in definition units of output. Clearly, if these problems are present, it makes no sense to attempt to budget for the delivery of a certain number of units of output at a standard unit cost.

The programme budgeting experience also tells us that it is surprisingly difficult even to determine the total cost (as opposed to unit cost) of outputs. As output classes become more disaggregated – and therefore potentially more relevant to allocative decision-making – the allocation of shared cost between those output classes tends to become more arbitrary and unreliable. For some shared costs the problem is simply one of the high cost and consequent impracticality of monitoring resource usage patterns, whereas for other shared costs (so-called 'joint' costs) no conceptually meaningful cost allocation is possible (Robinson 1996a). Such cost allocation difficulties are not, it should be added, unique to the public sector. Johnson and Kaplan, for example, have argued in private sector context that a misplaced emphasis upon 'attaching (all) costs to products' inevitably leads to cost attribution by 'simplistic and arbitrary measures' and to a consequent loss of 'decision and control relevance' (1991, pp. 135, 2, xx). Problems of accrual ('resource' in British parlance) accounting and budgeting are highly

relevant here, but cannot be discussed in the paper. See, *inter alia*, Robinson 1998a and 1998b.

Precisely these cost allocation problems have manifested themselves in the New Zealand contract budgeting model. The New Zealand Treasury (1996, p. 40) has stressed that 'cost allocation is critical to the purchasing process', because agencies 'must be able to identify the full cost of each output' if they are to comply with purchase agreements and budgets specified in output terms. Nevertheless, a 1995 review commissioned by Treasury reported that cost allocations at the individual output level were so 'inappropriate' that the resultant information 'fell well short of playing a useful role for any form of management decision-making'. It also found that 'many departments . . . "fit" the budget to the outputs', rather than the other way round (Coopers and Lybrand 1995, pp. 23, 4-6, 30).

None of the above analysis is intended as an attack on programme budgeting, which has over the years evolved into a useful budgetary mechanism. It has done so, firstly, by shedding the illusion of central allocative optimization and, secondly, by classifying expenditure as much by organizational unit and functional categories as by output (Robinson 1996a). Contract budgeting, by contrast, has retained the flawed central characteristics of the early programme budgeting vision.

THE CONCEPT OF CONTRACT

Having briefly reviewed key issues relating to estimating and monitoring expenditure in output terms, we turn now to the more distinctive feature of contract budgeting: the superimposition of a 'contractual' framework in which central decision makers 'contract' for the purchase of defined outputs from line agencies.

The concept of 'contract' from which contract budgeting draws its inspiration is that of an arm's-length commercial agreement between a purchaser and provider (supplier) for the supply of a clearly pre-specified good or service at a pre-specified price. This is a concept of contract consistent with textbook models of highly competitive markets for homogenous products. There are two particularly critical characteristics of such a concept of contract. The first concerns the allocation of risk between the contracting parties. In this type of contract, the provider's entitlement to payment is entirely conditional upon full delivery. Risk is, in other words, assigned overwhelmingly to the provider, who is expected to fulfil the contract with 'no ifs and no buts'.

Such an allocation of risk is, as discussed below, impossible (as well as undesirable) in an internal supply arrangement. It is clear enough, however, that what exponents of contract budgeting wish to do is to simulate this supposedly 'contractual' allocation of risk by in some sense *committing* provider agencies to produce budgeted output at the budgeted 'price'. One particularly graphic indication of this came from the New Zealand Treasury (1996, p. 38) when it 'floated' the idea that 'in the future departments may

possibly be required to show their outputs have been produced before the Government pays the "price" and hands over the appropriated output funding'. Such steps to enforce upon agencies a hard 'contractual' supply constraint are intended to revolutionize the nature of budgeting. In the past, when governments have imposed budgetary pressure on agencies, they have monitored only very imperfectly the extent to which those agencies respond by reducing output rather than improving productivity. Contract budgeting seeks to change that, by transforming such *budget pressure* (i.e. a pressure to restrict aggregate spending) on agencies into *purchase pressure* (a pressure to deliver specified outputs with the funds provided).

This concept of contract is by no means characteristic of the way in which private sector transactions are conducted. As the OECD (1993, p. 92) put the point recently

In the private sector, contractual relationships run the full gamut from 'pure market' (i.e. arm's-length transactions for very specific jobs, making repeated and maximum use of competition to obtain the best prices) to partnerships with suppliers involving a lot of trust, sophisticated harmonisation procedures, wide sharing of information, relatively long-term commitments cemented by client-specific investments, mutual shareholdings, and so on. Somewhat paradoxically, standard [public sector] procedures in most countries tend to locate the options of contract managers to the 'pure market' end of the spectrum . . .

Thus one observes in the private sector a full continuum of risk-sharing arrangements, in which the purchaser often shares much more considerably in the risks pertaining to delivery than is the case in a simple 'market' contract.

Key exponents of contract budgeting (for example Scott and Gorringer 1989, p. 81) trace their model of contract to organizational economics (of which perhaps the best known variant is agency theory), and many analysts have accepted this claim. It is, however, not reasonable to hold organizational economics responsible for this model. While organizational economics certainly places the spotlight on 'contracting', it employs the term in an entirely neutral manner – as a generic descriptor of the whole continuum of modes of economic transaction stretching from fully pre-specified arm's-length transactions ('classical' contracting in Oliver Williamson's terminology) right through to complete internalization of supply with the production process based upon hierarchical authority structures ('unified contracting' to Williamson). The term 'contract' thus corresponds to the term 'agency relationship' which is employed by the agency theorists (for example Jensen and Meckling 1976).

Crucially, there is nothing whatsoever in the work of key organizational economists – including the agency theorists – which suggests that organizations in the private or public sectors should seek to reduce more complex forms of contracting to the simplest version of classical contracting. Quite

the contrary. Organizational economics has clearly identified a range of potential weaknesses in classical contracting which make it inappropriate as the basis for many types of transaction (see, for example, Coase 1937; Goldberg 1976; Klein, Crawford and Alchian 1978). These weaknesses relate in particular to performance measurement and specification difficulties, transaction costs, and the risk of opportunistic behaviour in the presence of sunk costs. Thus a prime theme of organizational economics is that more complex forms of contracting, right up to internalization of production, can be explained on grounds of economic efficiency, quite independent of sociological explanations which rely upon power seeking and other 'non-economic' behavioural motivators. This view represents an explicit reaction against the reflexive tendency of economists to view non-'market' contracting as inefficient and a manifestation of market failure (FitzRoy and Mueller 1984; Williamson 1985, p. 17).

One of the points made by organizational economics about 'classical' contracting is that the costs of formal contract specification and administration can be unacceptably high. This is certainly borne out by the New Zealand experience, where, as Schick (1996, pp. 25–6, 83–4) has pointed out, the paraphernalia of purchase contracting has generated very high transactions costs indeed.

CONTRACTUALIZING THE BUDGET

If the budget is to be fitted to the procrustean bed of the 'contract' model, the first requirement is the precise specification of the outputs to be delivered. The second requirement is that 'prices' are determined in advance for these outputs. In order to induce greater efficiency, these prices need to reflect the cost of efficient production, and not simply the prevailing cost of production. Given the clear specification of outputs and the determination of appropriate 'prices', it would then be clear at the end of each fiscal year whether or not agencies' purchase contracts have been fulfilled. There is, however, an additional requirement for the thoroughgoing contractualization of the budget: namely, the existence of effective sanctions which can be applied in the event of failure by an agency to meet the requirements of its purchase contract. The greater the extent to which these three requirements are met, the more unambiguous would the 'purchase pressure' upon agencies become.

Unfortunately, intractable difficulties arise in respect to each of these requirements. In the first place, the greater the difficulties of precisely specifying and subsequently measuring the outputs which an agency is 'contracted' to produce, the greater the ambiguity which will necessarily arise as to whether that agency has in fact fulfilled its purchase contract. In New Zealand, the conclusion reached by Coopers and Lybrand in a report commissioned by Treasury (1995, p. 40) – that there was 'little evidence of significant purchase pressure (as opposed to budget pressure)' – is hardly

surprising given that many of the outputs required to be delivered are poorly specified in the relevant budget documentation.

In the second place, the establishment of appropriate 'prices' for outputs is a highly problematic matter. The idea of establishing 'a fair market price separate from the cost of outputs' (Ball 1992, p. 21) clearly shows the influence of the simple competitive market concept of contract, because in simple competitive markets the prevailing market price provides an indicator of efficient production costs, and the purchaser need not concern itself with the specific cost conditions facing any particular supplier. It is, however, a fundamental informational problem of public budgeting that central decision makers generally lack knowledge of the cost of efficient production of outputs. This information is generally absent within the budget sector of government precisely because there is no competitive market price benchmark.

Might this problem perhaps be resolved by aggressively extending market testing and competitive tendering right across the public sector? Unfortunately, many of the outputs provided by budget-sector government agencies are intrinsically unsuited to competition of the type which will yield a benchmark market price. Once again, problems of output measurement are central. When outputs are difficult and costly to measure, and output requirements are non-standardized and impossible to specify precisely in advance, it is often not easy for the 'principal' when making a selection decision between a number of potential 'agents' to judge the extent to which a potential agent may be relied upon to provide quality service. Moreover, once the agent has been hired/contracted, it may be that an adequate assessment of performance can be gained only by observation over a significant period of time. This creates a clear incentive for the principal to seek to retain the services of any agent whom he has come to believe may be relied upon to do a good job. This will be reinforced to the extent that quality output is a function of experience in the job (the 'learning curve'). Repeated recourse to competitive tendering based upon price becomes positively undesirable under these circumstances. There is a big risk in not sticking with the 'devil that you know'.

The resultant bias towards long-term relationships characterizes not only many employment relationships, but also much contracting out in complex services (Kettl 1993, pp. 183–5; Dehoog 1990). Propper's (1993 p. 66) summary of US experience in the contracting out within the health and human services markets is representative:

... competition in these markets has been limited. After initial interest, few providers bid for the franchise, the incumbent often receives the franchise ... Price becomes relatively unimportant in the assessment of bids. Providers and purchasers together seek to replace competition with long-term relationships. These patterns appear to be the result of pur-

chaser concern over quality, the partial verifiability of quality of output or inputs, and purchaser inability to spread risks.

A consequence of these and other problems has been that the level of competition in actual quasi-markets in Britain and New Zealand has often been much less than had been envisaged at the time they were established (Bartlett and Harrison 1993, p. 92; Maynard and Bloor 1997, p. 6; Ashton 1997, p. 16; Schick 1996, p. 66).

How much of a problem is this for contract budgeting? Certainly its New Zealand advocates do not consider that the gains in efficiency and effectiveness which they anticipate are dependent upon the extension of competition and contestability in the provision of public services. While they share fully in the widespread contemporary enthusiasm for increased supply-side competition, they also place great reliance upon the willingness of central decision makers (Cabinet, ministers and the finance ministry) to be 'demanding buyers' who will apply 'purchase pressure' by driving hard bargains with providers irrespective of the structure of the supplier market. It is for this reason that their campaign to simulate the arm's-length purchaser/provider relationship is not confined to those services where initiatives have been taken to promote a competitive provider market, but instead extends across the totality of tax-financed outputs.

In the absence of market benchmarks, however, the process of determining output 'prices' separate from current costs of production becomes a rather arbitrary business. If, moreover, the rationale for contract budgeting centres upon the finance ministry or relevant minister playing the role of demanding purchaser in order to place as much purchase pressure as possible on departments, one might expect a significant tendency for the government *qua* purchaser to set purchase 'prices' which are too low, particularly in terms of potential short-run productivity gains.

PENALIZING CONTRACT DELIVERY FAILURE

Having considered the problems which arise in the pre-specification and 'pricing' of outputs to be delivered by agencies, we turn now to the question of performance sanctions. To throw the issue into sharp relief, we may suppose that outputs can without undue cost be precisely specified, measured and costed, and that it is consequently quite clear whether an agency has fulfilled the terms of its purchase contract. The question then is: what happens in a contract budgeting system if the agency fails to deliver the specified output at the specified price? In the type of simple commercial transaction which provides the inspiration for contract budgeting, the answer is quite clear. Short of provider bankruptcy, the contract simply must be fulfilled, and if the producer makes losses in the course of fulfilling the contract, then so be it. This binding contractual obligation to provide the specified output at the pre-agreed price is rendered meaningful by the fact that provider and the purchaser are separate entities. Where internal 'contracting' within the public sector is concerned, however, the purchaser

and provider are ultimately part of the same entity. Losses suffered by a provider agency in meeting a contract cannot be repudiated by government because it has decided to adopt the guise of 'purchaser' in dealing with that agency. Government remains the owner of the agency however it chooses to style itself. The challenge for contract budgeting is therefore that of identifying a mechanism which can simulate 'hard' contracting by imposing the risk, or much of it, upon the provider agency.

Perhaps the most obvious method of penalizing an agency for failure to deliver is to reduce its budget commensurately for the following year. However, the potentially perverse implications of this approach are obvious. An agency which failed to deliver on its purchase contract because the finance ministry had set the purchase 'price' too low would find itself facing an even lower purchase price the following year. Initial failure to deliver would, under these circumstances, simply guarantee even larger scale failure the following year. Such a process would stand in marked contrast with the position of private sector firms. Although losses will often trigger cost-reduction campaigns in the private sector, there is no direct or necessary nexus between losses in one year and expenditures on operating costs the following year. The avoidance of such an inflexible and perverse linkage is precisely one of the key functions of equity capital.

This suggests an elaboration of the idea. Agencies could perhaps be given additional working capital or reserves sufficient to simulate the effect of an equity buffer. Such an approach would assist agencies to deal with any essentially random fluctuations in costs. However, it would be of no value at all in dealing with sustained under-pricing. Under such circumstances, the reserves of the agency concerned would inexorably be run down, with a brutal 'crunch' once they were exhausted.

As mentioned earlier, the New Zealand Treasury has floated the possibility of *ex-post* funding as a strategy for enhancing the credibility of output purchase contracts. Since agencies cannot operate without incurring costs which must be met irrespective of their purchase contract performance, the only possible sense which can be made of this suggestion is that it presumes that agency working capital would be increased sufficiently to carry out operations each year prior to the output payment being made at the end of the year. It would, however, be a mere accounting artifice to characterize such an arrangement as one in which payment was only made pursuant to the supply of contracted output.

AGENCY STRATEGIES FOR AVOIDING CONTRACTUAL FAILURE

In the circumstances which have been hypothesized – where an absence of output specification, measurement and costing problems creates unambiguous purchase pressure – agencies would have a strong incentive to avoid such failure even if the output price were set too low to permit them to do so through genuine improvements in productivity. Two key strategies would be available to them. The first is the reduction of the prices paid for

their inputs. For budget-sector agencies which tend to be particularly labour intensive, this means work intensification and/or the erosion of remuneration. This may be unproblematic if remuneration and conditions are at the outset excessively generous by community standards. But if not, the consequence can be expected to be long-term erosion in the human capital of agencies through the loss of good staff and, even more, through difficulties in recruiting good new staff. Although it is a widely held community prejudice that public sector workers are excessively remunerated, the reverse may more generally be the case. Governments have traditionally used their monopsony employer power and pledges of superior job security to keep remuneration significantly below market levels (see, for example, Robinson 1996b). Under these circumstances, to pressure agencies into further eroding the remuneration and/or job security of their employees may represent a short-sighted strategy.

The other course of action which would potentially provide agencies with some scope to avoid failure to fulfil a purchase contract is the diversion of expenditure of a strategic nature in order to divert funds to the financing of current production. For example, expenditure on policy development and staff training might be severely pruned in order to meet the purchase budget. Allen Schick (1996, pp. 43, 53) found evidence of this type of squeeze on strategic expenditure in his review of the New Zealand experience.

The problem is that such forms of expenditure play a particularly important role in the growth of productivity for many of the types of services produced within the budget sector of government. The sacrifice of strategic expenditures by hard-pressed agencies can be regarded as an example of the tendency for preoccupation with performance measures to lead to 'short-termism' (Jackson 1988, p. 14). The literature gives some reason to believe that severe budgetary pressure upon agencies may actually retard rather than accelerate their productivity growth (Forsythe 1993, p. 416; Kim and Wolfe 1994, p. 80). It may well be that this type of diversion of capital spending is part of the reason for this.

Strategic expenditures are by definition capital expenditures. Policy development, for example, creates intellectual and human capital, and training expenditure improves an agency's stock of human capital. It might therefore be thought that an accounting system which properly distinguishes capital from current costs/expenditure might make the diversion of strategic expenditures impossible. It is not, however, realistic to expect that any accounting system will be able to achieve a completely satisfactory delineation between capital and current expenditure. There will inevitably be 'grey' areas of expenditure where classification is a matter of judgement and where external verification of the appropriateness of the classification adopted by the accounting entity will not be an easy matter. This is particularly true of expenditure on human (as opposed to physical) capital.

The extent of these pressures upon agencies will depend not just upon

the tightness of their budgets, but upon the degree to which their contract performance is clear. As noted earlier, problems of output specification, measurement, and costing give rise to imperfections in formal purchase contracts which inevitably create significant ambiguities in the measurement of contractual performance. Under these circumstances, faced with the pressures of a government determined to act as a 'demanding purchaser', agencies will have scope to respond not only with the strategies outlined above, but also by the more obvious step of sacrificing output quality and perhaps quantity. This takes us back to the real world of budgeting, where there are major limitations to the capacity of central decision makers to distinguish agency cuts achieved by reducing output from those achieved by improving productivity.

THE OWNER/PURCHASER DISTINCTION

A key difficulty for contract budgeting identified in the analysis above is the impracticability of 'hard' contracting – that is, of making agencies, as distinct from the government, bear the financial cost of contract failure. In New Zealand, an attempt was made to resolve this problem by distinguishing between government's ownership role and its purchaser role *vis-à-vis* public provider agencies. Although this approach is less characteristic of internal purchaser/provider relations elsewhere in the world, completeness demands that it be briefly discussed.

In the New Zealand view, the capacity to distinguish clearly between the ownership and purchaser roles of government arises directly from the principle of payment for outputs at the 'fair market price'. According to the key Treasury official who was central in devising this concept, the consequence of this was to permit

... the Crown to buy at a fair price. From a purchase perspective, this means that the Crown knows it is buying its outputs for as good a price as it could obtain elsewhere. From an ownership perspective, it means revenue and cost flows are split. 'Surplus' then has real meaning and can be used as a key ownership performance measure (Ball 1992, p. 21).

The inspiration of this is yet again the simple textbook competitive market model, in which the long run equilibrium price will equal the cost of efficient production (long run average cost), where the latter is taken to include as a cost a 'normal' return on the capital invested. This might be termed the 'efficient price' of output. Whether buying from an efficient or somewhat less efficient provider, a purchaser in a competitive market will pay only the efficient price, and it would be the provider, rather than the purchaser, who would bear the costs of any inefficiency by earning a rate of return below the normal return on capital.

Transposing this to the public sector would require the government *qua* purchaser to pay its agencies only the efficient price of their outputs. If paid for their output on this basis, fully efficient agencies would then earn

a normal return on capital. If, in addition, the government levied a 'capital charge' intended to be equal to the normal return on capital (see Robinson 1998b), fully efficient internal providers would then break even. More generally, under these circumstances an agency's operating result would provide a direct measure of its efficiency. Losses would indicate inefficiency, and would be borne by government *qua* owner, quite separately from payment arrangements pursuant to the purchase contracts.

It is in this manner that, supposedly, the creation of a clear distinction between the ownership and purchaser roles could surmount the obstacle to contract budgeting created by the inability of a principal to engage in 'hard' contracting with an agency which they own. Government *qua* purchaser would hold agencies firmly to their contracts. Government *qua* owner would assess the performance of its agencies and their top managers in respect to the government's 'ownership interest' by reference to the financial results achieved after meeting the purchase contracts. In the words of the official quoted above, 'adopting the ownership perspective requires the ability to produce information on an entity's financial performance similar to that prepared conventionally in the private sector' (Ball 1992, p. 18). Chief executives who incurred losses would suffer sanctions, and the threat of this would induce any agency operating inefficiently to quickly lift its game.

There are, however, a number of serious flaws with this model. The most fundamental is that the whole idea stands or falls on the availability of robust information about the efficient price of outputs. If, as argued above, it is unrealistic to anticipate that such information will ever become available for the generality of budget-sector outputs, it must follow that the idea of simulating bottom-line financial performance measures analogous to the private sector, and capable of being employed to gauge the government's 'ownership interest', is an illusion. Ultimately, turning the abstract distinction between the ownership and purchase interests of government into a practical budgeting tool is simply not feasible. It is therefore hardly surprising that Allen Schick (1996, p. 87) concluded that it was not 'advantageous to have a Government with a split personality', and that 'pretending that the Minister is a fully independent purchaser doesn't make it so'. And even an internal New Zealand government working party concluded in 1994 that 'the ownership interest is not well specified' (Hunn 1994, p. 5).

CONCLUSION

Contract budgeting combines the recent public sector enthusiasm for 'contractual' governance models with the idea of central allocative optimization through the remodelling of budgeting into a formal process of choice between competing outputs. Although the latter amounts to a revival of the early programme budgeting vision, contract budgeting enthusiasts appear unaware of the close connection between programme budgeting and contract budgeting. More specifically, they appear unaware that programme

budgeting experience over the decades has demonstrated clearly that central allocative optimization is impracticable and that the scope for formulating budgets in terms of output is greatly limited both by major cost allocation difficulties and by the severe output measurement problems which are endemic within the public sector.

The 'contractual' framework which contract budgeting seeks to superimpose upon output budgeting is based upon the simplest type of competitive arm's-length market transaction. One key property of such simple market transactions is that, short of supplier bankruptcy, all risk associated with variations between actual cost and the contract price are assigned to the supplier. Perhaps the most remarkable aspect of contract budgeting is the notion that it may be possible in some way to simulate such 'hard' contractual risk assignment within the public sector, notwithstanding that it is plainly the case that the government, as ultimate 'owner' of public sector agencies, cannot disavow responsibility for costs incurred by those agencies.

Contract budgeting also assumes that central decision makers are able to distinguish between the actual cost of production of outputs and their efficient cost of production, thus making it possible to base the contract 'price' paid to agencies upon the latter and thus to replicate the price/cost distinction characteristic of arm's-length market transactions. This not only ignores obvious output measurement difficulties, but also fails to recognize that for many public sector outputs there is no market price which may be referred to as an indicator of efficient cost. Nor is it feasible to apply competitive tendering across the board to all public sector outputs in order to generate market price information. It follows that it is an illusion to imagine that government is in any position to distinguish generally between actual cost and efficient cost.

This means that any output 'contracting' between government and its agencies must necessarily be highly imperfect. So imperfect, in fact, that attempts by government to play the role of 'demanding customer' within a contract budgeting framework are likely to be indistinguishable in practice from old-fashioned arbitrary budget cuts. A further implication of the widespread inability to distinguish actual from efficient cost is that it is not possible to clearly distinguish government's roles as 'owner' and 'purchaser' in the manner attempted in New Zealand.

The appeal of contract budgeting is that it emphasizes 'market' mechanisms at a time when public policy as a whole has, not without reason, become enthusiastically market oriented. Its fatal flaw is that what it proposes is not so much a well-considered system as a superficial analogy with the simple competitive markets of elementary economics textbooks. It seems safe to predict that contract budgeting is destined to become merely the latest in the sequence of 'panaceas to managing government budgeting [which] have, one after another, been presented, blushing debutantes all,

beautifully gowned, soon to be embraced in marriage – and not long after divorced' (Savoie 1996).

ACKNOWLEDGEMENT

The author gratefully acknowledges (a) the advice of Peter Carroll, Allan Williams, John Halligan and the anonymous referees with regard to an earlier draft; (b) funding for this project from the International Economic Competitiveness Policy Research Concentration at Queensland University of Technology, and (c) the assistance of officials from a number of New Zealand government departments, none of whom should of course be assumed to agree with views expressed in this paper.

REFERENCES

- Ashton, T. 1997 'The New Zealand health system three years after reform: how is the patient progressing?', *Canberra Bulletin of Public Administration, Special Supplement Health Economics* 83, Feb., 16–19
- Ball, I. 1992. 'The new approach: financial management reform', *Accountants' Journal* June, 17–21.
- Bartlett, W. and L. Harrison. 1993 'Quasi-markets and the National Health Service reforms', in J. le Grand and W. Bartlett (eds.), *Quasi-markets and social policy*. London: Macmillan
- Boston, J., J. Martin, J. Pallot and P. Walsh. 1996. *Public management: the New Zealand model*. Auckland: Oxford University Press
- Coase, R. 1937 'The nature of the firm', *Economica* 4, 386–405.
- Coopers and Lybrand. 1995 *Review of costing systems and user charges, commissioned by The Treasury*. Wellington: The Treasury
- Dehoog, R. 1990 'Competition, negotiation or cooperation: three models of service contracting', *Administration and Society* 22, 3, 317–340.
- Fitzgerald, V. 1996 *Report of the Queensland Commission of Audit, vol 1*. Brisbane: Queensland Government Printer.
- FitzRoy, F. and D. Mueller. 1984. 'Cooperation and conflict in contractual organisations', *Quarterly Review of Economics and Business* 24, 4, 24–49.
- Forsythe, D. 1993 'Financial management and the reinvention of government', *Public Productivity and Management Review* XVI, 4, 415–23
- Goldberg, V. 1976. 'Towards an expanded economic theory of contract', *Journal of Economic Issues* X, 1, 45–61
- Gross, B. 1969 'The new systems budgeting', *Public Administration Review* (Mar./Apr.) 113–36
- Hunn, D. 1994. *Review of accountability requirements: report of the Working Party to the Advisory Groups*. Wellington: State Services Commission.
- Jackson, P. 1988 'The management of performance in the public sector', *Public Management and Money* (winter), 11–16.
- Jensen, M. and W. Meckling. 1976. 'Theory of the firm: managerial behaviour, agency costs and ownership structure', *The Journal of Financial Economics* 3, 305–60.
- Johnson, H. and R. Kaplan. 1991 *Relevance lost: the rise and fall of management accounting*. Boston: Harvard Business School Press
- Kettl, D. 1993 *Sharing power: public governance and private markets*. Washington: The Brookings Institution
- Kim, P. and L. Wolfe. 1994. 'Improving government performance: public management reform and the national performance review', *Public Productivity and Management Review* 18, 1, 73–87.
- Klein, B., R. Crawford and A. Alchian. 1978 'Vertical integration, appropriable rents, and the competitive contracting process', *Journal of Law and Economics* 21, 297–326.
- Le Grand, J. and W. Bartlett (eds.). 1993 *Quasi-markets and social policy*. London: Macmillan
- Logan, J. 1991 *Review of state sector reforms: report of the steering group*. Auckland: State Services Commission
- Maynard, A. and K. Bloor. 1997 'Lessons from health reforms in the United Kingdom', *Canberra Bulletin of Public Administration, Special Supplement Health Economics* 83 (Feb.), 3–7

- Mosher, F 1969. 'Limitations and problems of PPBS in the States', *Public Administration Review*, Mar./Apr. 160-7
- New Zealand Treasury. 1967 *Financial planning and control: report of the Study Group on Treasury Procedures*. Wellington: The Treasury.
- . 1987. *Government accountability brief to the incoming government*, vol 1 Wellington. The Treasury.
- . 1995 *Purchase agreement guidelines, with best practice for output performance measures*. Wellington: The Treasury.
- . 1996 *Putting it together. an explanatory guide to the New Zealand financial management system* Wellington The Treasury.
- OECD 1993. *Managing with market-type mechanisms* Public Management Studies. Paris: OECD.
- Osborne, D and T. Gaebler 1993. *Reinventing government. how the entrepreneurial spirit is transforming the public sector*. New York. Plume
- Propper, C. 1993. 'Quasi-markets, contracts and quality in health and social care: the US experience', in J. le Grand and W. Bartlett (eds.), *Quasi-markets and social policy*. London Macmillan.
- Robinson, M 1996a. 'Program budgeting: costs and benefit', in D. Savoie (ed.), *Budgeting and the management of public spending*. London Edward Elgar.
- . 1996b. 'Job insecurity in the new model of public employment', *Economic and Labour Relations Review* 7, 2, (Dec), 262-84.
- . 1998a 'Accrual accounting and public sector efficiency', *Financial Accountability and Management* (Feb.), 14, 1, 21-37
- . 1998b 'Capital charges and capital expenditure decisions in core government', *Public Budgeting, Accounting and Financial Management* 10, 4
- Savoie, D 1990. 'Reforming the expenditure budget process: the Canadian experience', *Public Budgeting and Finance* (Fall), 63-78.
- . 1996. 'Introduction', in D. Savoie (ed.), *Budgeting and the management of public spending* London. Edward Elgar
- Schick, A. 1973 'A death in the bureaucracy. the demise of federal PPB', *Public Administration Review* (Mar./Apr), 146-56
- . 1996. *The spirit of reform. managing the New Zealand state sector in a time of change*. A report prepared for the State Services Commission and the Treasury, Wellington.
- . 1990. 'Budgeting for results. recent developments in five industrialised countries', *Public Administration Review* 50, 1 (Jan /Feb.), 26-34
- Scott, G. and P Gorringer. 1987. 'Reform of the core public sector: the New Zealand Experience', *Australian Journal of Public Administration* 48, 1, March, 81-92
- Sorber, B. 1993 'Performance measurement in the central government departments of the Netherlands', *Public Productivity and Management Review* XVII, 1, (Fall), 59-68
- Warren, K 1996. 'Financial decisions in the public sector: New Zealand's experience from five years of accrual/output budgets', mimeo Wellington: The Treasury.
- Wildavsky, A 1979 *The politics of the budgetary process* (3rd edn). Boston Little, Brown
- Williamson, O. 1985. *The economic institutions of capitalism: firms, markets, relational contracting* New York: The Free Press.

Date received 15 April 1997. Date accepted 9 December 1998.

THE CHANGING NATURE OF RATIONING IN THE UK NATIONAL HEALTH SERVICE

LOUISE LOCOCK

This paper presents findings from empirical research exploring recent developments in healthcare rationing in the UK, and how far these were influenced by the National Health Service (NHS) internal market.

Results suggest explicit rationing has continued to spread, but the focus has shifted from exclusions of whole treatments from NHS provision towards a reconciliation of implicit and explicit approaches. There is growing interest in explicit criteria to guide decision making, within which clinicians exercise discretion in individual cases.

The market contributed to the growth in explicit rationing, notably by decoupling healthcare purchasers (health authorities and GP fundholders) and providers (hospital and community health services) from their previously shared responsibility to manage resources. However, other factors have been influential, especially concern to control rising expenditure. Having originally prompted more explicit decisions (especially exclusions), resource pressures are now rekindling interest in fixed provider budgets and implicit clinical decision making. The paper concludes by considering the implications for rationing of proposals to abolish the NHS internal market.

INTRODUCTION

Healthcare rationing continues to generate considerable debate. Concern about rising healthcare expenditure has led several countries to consider developing systematic and explicit criteria for rationing. The State of Oregon, US, provides a well-known example (Oregon Health Services Commission 1991), but an extensive public discussion process has also been underway in New Zealand, Sweden, Norway, the Netherlands and Finland. (National Advisory Committee on Core Health and Disability Support Services 1992; Swedish Parliamentary Priorities Commission 1995; NOU 1987; Government Committee on Choices in Healthcare 1992; Working Group on Prioritization in Healthcare 1995. For a summary of international sources, see Ham and Locock 1998.)

In all these cases there has been a recognition that not all needs can be met within available resources, and it has been argued that explicit rationing could achieve more efficient and equitable results than random or implicit rationing.

There is widespread academic agreement that implicit rationing has

Louise Locock is a Research Associate at the Oxford Healthcare Management Institute, Templeton College.

Public Administration Vol. 78, No 1, 2000 (91-109)

© Blackwell Publishers Ltd 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

always existed in the UK National Health Service (NHS) (Glennister 1975; Ham 1982). However, there has been no government-led discussion of alternative approaches, and until recently little public awareness. There has been a tendency, particularly in the media, to blame the NHS internal market for rationing. This may be partly because recent examples of explicit rationing have brought the issue to public attention.

This article presents findings from empirical research which explored recent developments in healthcare rationing in the UK, and the extent to which these were influenced by the NHS internal market, as distinct from other potential influences. As Hills and Gardiner note, 'the new government is committed to reforming the system, but there is still fierce debate about its effects' (Hills and Gardiner 1997, p. 56); this research contributes to understanding both how rationing has been evolving under the internal market, and how it may continue to develop under the new Labour Government's planned reforms of the NHS.

DEFINING RATIONING

Healthcare is a scarce resource which must be allocated in the same way as other goods; decisions must be made in response to three questions:

What services should be available?

How much of each should be provided?

For whom should they be provided?

(Glennister 1975; New and Le Grand 1996).

Rationing is sometimes regarded as *one form* of resource allocation, with government-imposed maximum consumption levels replacing market exchange. The popular image of rationing is associated with extreme scarcity and national crisis. This helps explain public (and political) disquiet over recent explicit rationing decisions; they are taken to mean the NHS is in crisis and is being forced into hard choices not previously necessary.

However, it is arguable that *all forms* of resource allocation, whether through the market or not, constitute rationing (Calabresi and Bobbitt 1978); according to this view, the question is not *whether* healthcare is rationed but rather examines *how* it is rationed in particular circumstances. Rationing in this sense will sometimes be explicit and sometimes implicit or indirect.

This article does not seek to engage in the debate as to whether implicit or explicit rationing is intrinsically more desirable (see Coast 1997 and Doyal 1997), but it does accept the premise underlying that debate: namely that the choice is indeed between implicit or explicit, rather than between rationing or not rationing. Nonetheless, it should be noted that the inevitability of rationing is contested, generally on the grounds that rationing could be avoided if society agreed to spend much more on healthcare, or if wasteful practice and ineffective treatments were eliminated (Harris 1987; Mullen 1995).

In practice implicit and explicit rationing are not simple alternatives, but points on a continuum (Glennester 1975). The meaning of the terms 'explicit' and 'implicit' is subject to interpretation, and it is therefore necessary to clarify the usage here. Explicit rationing makes a clear attempt to distinguish who will receive what; the decisions are understood and agreed by a group of people, not just the individual clinician (Glennester 1975). (This does not necessarily include the public or the patient, however). Mechanic (1995) describes it as 'trying to establish all the rules beforehand' (p. 1659).

Implicit rationing is sometimes taken to mean rationing by clinicians. Whilst this may be one component of implicit rationing, it is not a satisfactory definition. In implicit rationing the reasoning involved is not clearly stated to anyone except (or possibly including) the person making the decisions, or active decision making is avoided altogether. Thus waiting lists are an implicit mechanism not because they embody decisions made by individual clinicians, but because their reasoning remains private; the distinguishing feature is not *who* makes the decision but *how* they do it. It is possible for an individual doctor to make an explicit rationing decision and share the criteria used with colleagues and the patient. It is equally possible for implicit rationing to happen at organizational level, such as the recent unplanned erosion of NHS adult dental care.

RESEARCH AIMS AND METHODS

The NHS and Community Care Act 1990 established an internal or quasi-market in the NHS, replacing the previous hierarchical structure in which hospital and community services were directly managed by district health authorities (public bodies with an appointed rather than elected membership). From April 1991, health authorities became purchasers of services from healthcare providers or 'trusts', with funding placed on a contractual basis (the 'purchaser provider split'). Medical general practitioners were also able to hold a budget ('GP fundholders') and become purchasers for their own patients. Trusts were given new managerial freedoms. The aim was to introduce market incentives towards greater efficiency. These market reforms find parallels with similar experiments in other countries (Saltman and von Otter 1995).

There was an early expectation in some quarters that 'the logic of the 1991 reforms', especially separating purchasers and providers and negotiating written contracts, was that 'decisions about resource allocation would ... have to become more explicit' (Klein *et al.* 1996, p. 50). This expectation was questioned; Bartlett suggested the costs of negotiating detailed contracts in a complex and uncertain environment such as the NHS would be prohibitive (Bartlett 1991, using the transaction cost economics framework developed by Williamson 1975). Klein *et al.* (1996) focused particularly on the constraints imposed by conflicting political imperatives, and the difficulties of trying to codify complex clinical decision making.

The research presented here examined how rationing decisions were being made in practice by health authorities as purchasers and whether there was a shift towards greater explicitness. It also explored the relationship between explicit rationing, the NHS market and other factors, including political and ethical concerns, rising expenditure, the Patient's Charter (which set national maximum waiting times for all hospital in-patients) and the growth in evidence about the effectiveness of treatment. The degree of choice between explicit and implicit approaches to rationing may be constrained by the operation of these factors.

The research focused on health authority purchasers. A pilot study was carried out in 1994 with eight health authorities, using an initial questionnaire, followed by a semi-structured interview. Those interviewed as representatives of the eight authorities comprised seven directors (of purchasing, commissioning, contracting or planning, depending on local job titles) and one contracts manager. Interviewees were asked about both formal and informal decisions to exclude or limit certain treatments, and how far they felt these decisions had been influenced by the development of purchasing.

The pilot study was followed by longitudinal case studies with three health authorities; case studies were felt to be the best way to capture the complexity of the issues emerging from the pilot studies, and to reflect the importance of political judgements, competing values and subjective interpretations in rationing decisions.

The case studies tracked the negotiating cycle for 1997/98 contracts. Participants were also asked to reflect on past experiences, and to consider the effect of the change of government, which happened before the final interviews. Three rounds of semi-structured interviews were undertaken with senior managers in each authority, including the chief executive, director of commissioning, director of public health and director of finance. These were supplemented by documentary analysis in each authority of purchasing plans, contracts and strategic planning documents from both current and previous years. In two authorities, it was possible to obtain planning documents from pre-market years, although the fact that all three authorities had undergone a series of mergers made it difficult to make comparisons.

Further documentary analysis was undertaken of evidence presented by 49 district health authorities and all fourteen regional health authorities (the organizational tier above districts) to the Parliamentary Health Select Committee investigation into purchasing and priority setting (House of Commons 1994a and 1994b).

KEY FINDINGS FROM PILOT SURVEY

- All participating health authorities were carrying out some form of explicit rationing.
- All but one had a formal policy stating which services would not nor-

mally be purchased, although many of these policies allowed for exceptions to be made on clinical grounds.

- In three cases, eligibility criteria or scoring systems were in use to determine who would have access to services – this included both clinical criteria (for example the age of a woman seeking *in vitro* fertilization) and social criteria (for example whether the woman was in a stable relationship of at least three years' duration).
- More commonly, the amount of a particular service available was explicitly limited, either in financial or activity terms.
- Although a few of the exclusions pre-dated the market, most were instituted after the reforms.
- In many cases explicit decisions were merely formalizing implicit rationing that was already taking place, for example through long waiting lists.
- The most commonly given reasons for decisions not to provide a particular service were financial pressures and evidence of low clinical effectiveness; it was queried by some whether decisions taken on the grounds of low effectiveness constituted rationing.
- Whilst three respondents felt such decisions *could* have been made before the development of the market, most felt they would not have been in practice; all agreed purchasing was making rationing more explicit.
- The purchaser provider split, greater availability of information and the ability to monitor and enforce rationing decisions through contracts were all seen as market-related factors contributing to greater explicitness.
- In some cases, districts had been prompted to clarify conflicting policies following a merger with another district.
- The Patient's Charter had also increased explicitness by closing off the option of rationing by very long waiting lists.
- There was a general expectation that explicit rationing would continue to increase in future.
- Nonetheless, implicit rationing through clinical decision making was still predominant.

The pilot survey findings on the nature and extent of rationing being carried out by purchasers at this stage were consistent with the evidence presented to the select committee, and confirmed that there was considerable blurring of the definition of 'exclusion'. Some districts chose to take the word 'exclusion' at face value, as meaning that absolutely no-one had access to a specific treatment, whereas others defined it more liberally as meaning that the treatment was normally excluded unless there were overriding reasons why an exception should be made, or that it was only available to selected groups of people.

RESULTS FROM THE CASE STUDIES

The case studies provided further evidence of an increase in explicit rationing. Health authorities were deciding *what* should be provided. The government has repeatedly stated that blanket exclusions of any potentially effective treatment are not permitted. Whilst the authorities studied were generally careful to allow clinical exceptions to meet this requirement, these might be so limited that the exclusion was virtually total. The possibility that exceptions might be made was not always clear – one authority stated in a written policy that it did not purchase *in vitro* fertilization (IVF), although at interview it was said exceptions would be made. In another authority, specific funding for the multiple sclerosis drug beta interferon had been refused but clinicians were allowed to make their own exceptions within existing resources; in the case of Riluzole for motor neurone disease, the same authority said: ‘we went further, and said “not only are we not going to fund it, but we don’t think clinicians in the area should use it either”.’

Exclusions were sometimes justified by stating that the services not purchased were ineffective and therefore the government’s guidance did not apply. Sometimes the justification was that it was a social rather than healthcare need – again, IVF is an example. One interviewee suggested decisions were taken primarily on financial grounds, ‘and then all kinds of spurious after-the-event rationalization is used to justify that decision, one of which is to say it’s nothing to do with health.’

Some services such as homeopathy, osteopathy and acupuncture have never been part of mainstream NHS provision; this provided some justification for arguing they were not an NHS responsibility, and lack of evidence on effectiveness was used to support the decision to exclude them – ‘to put it in a nutshell, homeopathy is to us pharmacological nonsense’.

How much of a service was purchased was clearly stated in some contracts. The level of detail varied substantially – at one level, contracts might give an explicit maximum activity level – a number of ‘episodes’ (hospital stays) or particular operations. This still allowed scope for doctors to decide how resources would be allocated between individual patients: on a first-come, first-served basis; on the basis of criteria agreed with clinical colleagues; or on the basis of each clinician’s personal judgement. Sometimes the amount of service purchased was expressed as a financial limit rather than an activity limit; this could nonetheless be very explicit where the funding would buy only a small number of expensive cases, such as gender reassignment surgery and bone marrow transplants.

For whom: rationing by excluding whole procedures or treatments, whilst still happening at the margins of provision, was not felt to offer a solution for the longer term. Between the pilot survey and the case studies, there was a growing sense that ‘the easy stuff’ had already been targeted, and that more complex clinical areas did not lend themselves to this simplistic

approach to rationing. 'If you were to turn round and say, "well, how do we ration urology?" ... then where you start is just a nightmare.' The 'for whom' question still needed to be addressed, but with more sophisticated recognition of the reality of complex medical decision-making processes.

One result was the development of eligibility criteria or guidelines giving explicit support to clinicians in determining who would receive the limited amount of treatment available. These criteria might be based on social considerations or on evidence of clinical effectiveness, or both. An example of the former was difficulty in obtaining employment as a criterion for tattoo removal. Examples of the latter included offering IVF and cancer screening only to age groups most likely to achieve a successful outcome.

There was also a half-way category of selection on the basis of severity of the condition, or severity of its impact on the person's life. This applied to some plastic surgery interventions, such as birthmark removal – although the operation is equally effective wherever the birthmark is on the body, the psychological distress caused by the condition was judged to be less if it was not normally visible.

This move towards a more sophisticated approach to rationing was accompanied by a growing emphasis on the need to re-engage healthcare providers, especially clinicians, in the rationing process. The initial concentration by purchasers on rationing by exclusion failed to control expenditure sufficiently, and highlighted the limitations of explicit rationing at their level. To achieve stronger budgetary control required more widespread, but more subtle, forms of rationing, which purchasers alone could not achieve.

How far these developments in the kind of rationing being undertaken were affected by the influence of market-related factors and how far by other factors is important to understand as the NHS moves into another period of reform. It may help to anticipate the trajectory which rationing will follow, in the context of the new structure.

Case study results suggest a complex relationship between explicit rationing, the quasi-market and other factors. The most influential factors emerging from the case studies are examined below, with illustrations from the interviews. These are:

- resource pressures and the Patient's Charter;
- contracting and the purchaser provider split;
- information availability;
- ethical and political issues.

RESOURCE PRESSURES AND THE PATIENT'S CHARTER

Fundamental to explicit rationing is the perception of increasing scarcity of resources. Scarcity is a necessary but not sufficient condition for explicit rationing – theoretically, one response to greater scarcity could simply be more implicit rationing. However, there was consensus amongst interviewees that the tighter resource pressures became, the more difficult it was

to manage them by purely implicit mechanisms, especially given increased public and media awareness of rationing.

Furthermore, the Patient's Charter of 1991 blocked off a primary implicit mechanism – the use of long waiting times to ration low priority services such as cosmetic surgery – by setting a national maximum waiting time. Either these services had to be provided within the maximum waiting time or formally excluded for all but exceptional cases. It is worth noting, however, that the Patient's Charter's focus on long waiting times may have led to implicit rationing in other areas, by diverting priority – and resources – away from other services, particularly emergency and community services.

The fact that most explicit rationing remained marginal and had little impact on expenditure is to some extent unimportant: whether or not it succeeded in *dealing* with scarcity, it was clearly a *response* to scarcity, and to a feeling of increased pressure. An unexpectedly generous financial settlement for 1997/98 was viewed by some managers (but not all) as a welcome, if temporary, relief from the pressure to become more explicit.

Explicit rationing may, ultimately, become the answer to the problem, and not just a reaction to it – there was some evidence that the health authorities studied were gradually moving into more major and controversial areas to look for savings. How they expected to approach this task was crucially important, however. Having initially felt driven by resource pressures to greater explicitness, particularly rationing by exclusion, they became concerned that this was not an effective strategy to manage scarcity – 'exclusions don't work.' By the end of the research, those same resource pressures were encouraging renewed emphasis on fixed budgets at provider level.

What we're trying to do here is say 'well, look, it doesn't really matter what the activity is – there is a certain amount of money, and that's all there is to it ... You can keep within that cash limit in a number of ways. You can either pull back on your activity ... or you can cut back on your infrastructure. Really we don't mind which you do. It is open to you either way. But at the end of the day there's a certain amount of money and that's it ... Unless one or other of us goes into deficit there is no other way round that'.

The effect of resource pressures was still towards explicitness, but a different and more sophisticated kind of explicitness compared to the early emphasis on exclusion. *Simultaneously*, it was also towards more implicit means of capping supply to stay within budget. As one interviewee commented, 'we haven't gone from implicit to explicit, we've gone from implicit to implicit plus explicit ... If you use any policy instrument as your sole way of managing the NHS then you're doomed to failure. It's more complex.'

Contracting and the purchaser provider split

Interviewees felt the purchaser/provider split had had two major effects: in freeing health authorities from the responsibility of directly managing providers, it had freed them to make hard choices in the interests of the population, which might conflict with provider and individual patient interests. Secondly, purchasers argued, providers no longer felt collectively responsible for helping to manage scarce resources and to collaborate in implicit means of control. The interests of individual provider trusts were in stimulating greater demand and new technologies, 'as if the market meant there were freed resources somewhere, without recognizing that it was still the same pot of money.'

Tensions between health authorities and hospitals have always existed, but interviewees argued formal organizational separation both made these tensions more apparent and required them to be settled by negotiation rather than command. Without direct management, providers were no longer 'part of the NHS family, working together within a framework of a finite cake', and it was harder to achieve a cabinet-style closing of ranks once negotiations were over.

It was meant to polarize, it was meant to create a body in the health service whose job was to say what got treated and what didn't get treated, and to do it out loud, and another body that was supposed to get on with the work it was commissioned to do.

The old system of fixed budgets allowed no flexibility to reward performance, and even made it potentially in providers' interests to avoid extra workload. The direct linking of funding and activity in contracts between purchasers and providers aimed to overcome this. However, the encouragement to providers to think in terms of fee-for-service reimbursement sat uneasily with cost control. Contracts and the rhetoric of 'money following the patient' created incentives to increase activity to obtain additional funding.

The purchaser provider split has decoupled health authorities from the old methods of control that they used to use, which were basically control of supply.

The market was meant to take care of all that, and manifestly it has failed, utterly, utterly failed, and in fact it's made things worse. We have left people who have nothing to do with funding decisions in charge of the consequences of funding, and of course they don't care, you know. And the market reforms have dislocated us who do care about funding decisions from being able to manage and manipulate the process. I could see the logic, but it hasn't worked.

There was growing concern amongst interviewees that the primary focus on activity had stimulated an unmanageable increase in workload. Activity-based contracts and confidential accounting had also made it difficult for

health authorities to establish the true costs of extra activity. This explained their increasing disillusion with activity as the basis for negotiations, and renewed emphasis on providers' shared responsibility to manage limited resources.

Most interviewees concluded that contracts themselves, as distinct from the purchaser-provider split, had contributed to explicit rationing but were not the major driving force. Some explicit decisions were taken mid-year in response to financial crisis and some were pursued in parallel with contract negotiations. Contracts might be a 'mechanism of expression' for the 'real decisions' taken elsewhere. Although some contracts were very specific, often in response to a particular problem, the majority remained 'relatively broad brush' – detailed activity targets in all contracts 'would just be too much work and a waste of time.' Furthermore, the difficulties of enforcing contracts were recognized – 'we specify, they think about it, and then carry on doing what they normally do.'

One interviewee commented, 'let me tell you, it is still as difficult in the health service to get things changed as before.' In some cases, he argued, the very explicitness of contracting had worsened relationships: 'you can't work with providers to achieve change that ordinarily they might have agreed with, because you're putting them on the spot and saying it's got to be a black and white thing, so they kick up and say, "no, I'm not going to do it".' Another reported a conversation with a senior provider manager: "Fuzzy is good", he said. "This is the way the health service has always been run – it's been fuzzy – and we've got along because we've allowed things to be fuzzy. You don't want to make things too clear".'

Interviewees' comments on the relative unimportance of contract negotiations in making allocation decisions are supported by the findings of the ESRC research programme on contracts and competition. This found that 'long-term collaboration with limited contestability' was increasingly emphasized, and that 'much of the important negotiation between purchasers and providers takes place outside the contracting process' (Williams and Flynn 1997, p. 158).

Views on the extent and influence of transaction costs were mixed. All interviewees (perhaps not surprisingly, given their health authority background) blamed GP fundholding for high transaction costs. There was less agreement about transaction costs within health authorities. Although all acknowledged the inefficiencies of 'this business of charging all over the place for things', some argued transaction costs were not necessarily prohibitive, if the system was achieving better value for money as a result.

The fact that many contracts remained relatively simple and non-specific suggests a trade-off was already being made between the benefits and costs of greater explicitness. Detailed contracts might be negotiated where it suited a particular purchaser or provider to do so because of a specific problem, but they might behave in a more informal way where possible –

or perhaps where a problem was so intractable that market relationships were viewed as unhelpful.

Renewed emphasis on fixed budgets suggested health authorities were moving away from market-style relationships, but the rationale was to keep expenditure under control overall, rather than to limit transaction costs. Most thought Labour's proposals would not significantly reduce transaction costs.

Information availability

To ration explicitly requires more detailed information than was available in the 1980s. Contract specifications were agreed to have increased the level of information available and to have brought 'a degree of painful clarity and more precision than was ever the case before.'

Contracting was certainly not the only source of additional information; the development of devolved budgets at clinical specialty level, clinical audit, and the increase in evidence from research into effectiveness of treatment all played a non-market part. However, the urgent need to specify contracts may have speeded up the development of information from these other sources. The introduction of the market was accompanied by strenuous efforts to improve information systems. Since then, more improvements in systems have enabled further sophistication in contracts.

The relationship between rationing, contracts and information about the evidence of effectiveness of various treatments seemed particularly complex. Effectiveness evidence certainly provided the justification for many commonly rationed procedures ('a hook to hang a rationing decision on'), but was not necessarily the cause. Certainly it was not always decisive. It could even contribute to resource pressures by suggesting more or better services were needed. At the same time there was general agreement that most allocation decisions still followed historical funding patterns.

Increased availability of information on effectiveness, which was encouraged by the NHS Executive, could be partly explained as a response to purchasers' needs for independent advice to help them fulfil their role. Negotiating contracts with providers, especially clinicians, stimulated purchasers to seek and utilize such evidence, and contracts provided a vehicle for requiring providers to use evidence-based medicine.

However, effectiveness research had been gathering pace for some time and was not primarily driven by the market. Interviewees also felt the complexity and uncertainty of much evidence could also make decision making harder rather than easier; the need to interpret evidence for individual patients made it difficult to justify total exclusions in most cases. This in turn meant allowing clinicians the flexibility to exercise their judgement – in effect confirming the place of implicit rationing, albeit within an explicit framework.

Our discourse on priority setting, resource allocation and rationing has changed subtly but very firmly away from notions of rationing as denial

to some people of certain interventions towards a much greater emphasis on clinical effectiveness, and on cost-effectiveness of treatments.

There were arguments that there was a Holy Grail somewhere, if only we could find it, and we would be able to determine what should be treated and what shouldn't. We've realized that that's actually very difficult – that in many cases you can't say 'never'. . . . As we've gradually become more knowledgeable, as purchasing has developed, as we have recognized that effectiveness is the key, we've had to begin to think about developing protocols and guidelines for using the services.

Ethical and political issues

Most interviewees commented on the painful ethical dilemmas of rationing, whether explicit or implicit. At the same time, there was consensus that explicitness was an ethical requirement for purchasers, at least in some circumstances.

The current wave of academic discussion of explicit rationing has been influential in characterizing implicit rationing as secretive, undemocratic and paternalist, and explicitness as honest, participative and accountable. Managerial culture has also been important – the Griffiths general management reforms encouraged managers to challenge traditional clinical practice and set clear priorities for resource allocation (Newdick 1995).

Given this background, it is not surprising health authority interviewees felt an ethical obligation to be explicit. However, this was not seen as an absolute – one interviewee said 'I don't think it's bearable' to make all decisions explicit, and commented on the feeling of vulnerability when found 'holding the smoking gun'. Developments in individual districts may be affected by how committed local managers are to the principle and practice of explicitness, and their assessment of the best way of achieving it. Some interviewees welcomed the chance of a generous budget settlement for 1997/98 to avoid explicit rationing for the time being, whilst still feeling it was right and/or inevitable in the longer term. Other managers were keen to maintain the momentum towards explicitness.

Something that I think would be a backward step would be for the government in the dying days before an election to shove a whole lot of money into the NHS, because it would just literally be buying time . . . no amount of money will do anything other than act as a time delay.

The purchasers interviewed believed not only that explicit rationing was generally right and desirable, but also that they themselves should be doing it, albeit with more overt support from government and with less emphasis on exclusion. There were several possible reasons.

Firstly, there was pragmatic recognition that the government would not accept responsibility and that therefore purchasers had to. There was absolute agreement amongst interviewees that political reluctance to be seen to

be rationing explicitly was a major obstacle, since it would directly challenge the principle of a free, universal and comprehensive NHS.

Secondly, explicitness acted as a resource maximizing strategy: it was felt to increase public pressure for more funding, and to divert money from treatments of low effectiveness or low priority to higher priorities.

However, this was not the whole story. Concerns about inequity in the NHS were a powerful motivating force for interviewees. Although inequity is not a new problem, in some respects the market made it worse or more evident. The purchaser provider split exposed differences between purchasers, and prevented people from obtaining elsewhere treatment not provided by their local health authority. There was increased awareness that treatment was being denied. The reduction in direct management responsibilities for health authorities led to mergers, which were 'flushing out more explicitly' policy variations within the boundaries of one district.

Purchasers' professional interest lay in emphasizing their role as representatives of the local population, distinct from provider organizations. This entailed several strands: legitimizing and democratizing their decision-making processes; challenging traditional practices and specifying clearly what providers should be doing; challenging historical patterns of resource distribution between specialties, and between hospital and community services. Their *raison d'être* was precisely to allocate scarce resources equitably.

Finding legitimacy for decisions was also partly self-defence. One interviewee explained, 'we feel quite uncomfortable about doing things that really are down to our prejudices'. Being explicit was hard because it invited criticism from the public and press, but it also relieved the burden of individual responsibility. Nonetheless, there was recognition of the difficulties of realizing the ideal of legitimacy – 'even the most complex democracy doesn't get anywhere near it, and we knock ourselves senseless trying to achieve it.'

At the same time, there was continuing concern about the inappropriateness of pursuing explicit decision making to the point where it usurped clinical judgement about individual patients. 'I think it's very dangerous to allow contracting to get exposed ... into actually trying to take those decisions. I don't see how contract managers can, because they're not clinical people – I don't see how they should, either.' The search for an acceptable balance continues.

THE CHANGING NATURE OF RATIONING

From the case study findings, it seems likely that explicit rationing will continue to increase, but there is evidence to suggest that it is changing course and perhaps becoming less dominant in health authorities' thinking about how to manage resource allocation. The result of this shift of emphasis is a renewed reliance on professionals' clinical judgement, but within a more explicit framework than before. Most interviewees felt this was a responsible way forward and struck an appropriate balance between public

accountability and the need for flexibility in the face of complex individual cases.

The internal market contributed to the development of explicit rationing in a number of ways but was not the only influence. However, structure may have a bearing on the *kind* of explicit rationing which is practised, and this is considered further in the final section.

The suggestion that the nature of explicit rationing is changing is supported by evidence from other sources. There is evidence that other countries, such as New Zealand, are also experiencing a shift from rationing by exclusion towards an emphasis on guidelines and criteria for treatment (Hadorn and Holmes 1997). Holm (1998) identifies a change of emphasis in the Scandinavian countries away from 'simple solutions' towards an emphasis on ensuring the decision-making process is fair and transparent. The Netherlands has also found it difficult to exclude whole services from the basic healthcare package, and recognized that physicians must exercise discretion, but within professional guidelines (van de Ven 1995).

In the UK the analyses of purchasing plans carried out by Klein and colleagues present a similar picture. During the period studied, they found the extent and range of rationing did not change radically, but noted a presentational shift away from outright denial or exclusion. They suggest that, in response to medical objections that the effectiveness of any given treatment is dependent on individual circumstances, the NHS had moved away from 'limiting the NHS menu' to 'specifying the conditions of eligibility for treatment in co-operation with the medical profession. In effect, the criteria were re-medicalized' (Klein *et al.* 1996, p. 71). This reverted to a more traditional division of responsibilities, with doctors deciding how to turn broad allocation decisions into detailed implementation. However, there was a shift towards more collective medical decision making based on effectiveness evidence and expressed through guidelines and protocols, rather than purely individual clinical judgements of what is appropriate and effective.

Klein *et al.* note a further but consistent shift in 1995/96 purchasing plans towards an increasing emphasis on effectiveness. The number of health authorities reporting exclusions (but with the all-important let-out clause of exceptions on clinical grounds) was increasing, as was the number of different procedures. However, some of the latter increase resulted from unpacking generic categories such as cosmetic surgery into specific procedures, and they remained largely marginal NHS activities. The emphasis on effectiveness was also leading to more discussion of reducing some procedures, rather than excluding them, and was making purchasers more cautious about new technologies such as beta interferon.

The authors conclude that this phase represented

a partial retreat from explicit rationing by exclusion. The veil of clinical judgement had proved too useful to discard . . . Services and procedures

would not be struck off the NHS menu but given low priority in resource allocation. And within restricted resource envelopes, clinicians would decide whom to treat, and how, according to their own criteria of appropriateness. Science, it seems, had come to the rescue of scarcity, offering a new legitimization of selectivity. Patients would be turned away not because resources were scarce but because treatment would not be appropriate in their case (Klein *et al.* 1996, p. 73).

It is important to re-iterate, however, the authors' point that clinician-led rationing is no longer the entirely individual and implicit enterprise it once was. The retreat from explicit rationing by exclusion is not so much to implicit rationing, as to explicit rationing by eligibility criteria based on effectiveness. Although the criteria may be explicit, their application to individual patients will be informed by clinical discretion and the circumstances of the individual case. This finds an echo amongst many contributors to the current debate who favour the idea that doctors should exercise professional leadership in rationing, but within an explicit, collective framework (for example New and Le Grand 1996; Lenaghan 1996; Mechanic 1995).

THE NEW NHS

The White Paper 'The New NHS' proposes to abolish the market but retain 'the separation between the planning of hospital care and its provision' (Secretary of State for Health 1997, para. 2.16). The word 'purchasing' is replaced by 'commissioning'. Contracting will be replaced by longer term service agreements (para. 9.14).

Responsibility for negotiating service agreements will gradually transfer from health authorities and GP fundholders to 'primary care groups' (PCGs), which will cover all general practices in the country and will have practice populations of approximately 100,000. PCGs will combine previously separate funding for prescribing, practice services and hospital and community services in a unified budget. The White Paper stresses the importance of realigning clinical 'freedom to refer with the ability to fund' (para. 9.17).

The new service agreements are expected to cover virtually all referrals. The aim is to achieve 'simplified arrangements that minimize bureaucracy and eliminate incentives to "play the market"' (para. 9.17). PCGs will, however, have powers to withdraw services from an unsatisfactory provider.

Health authorities will have a strategic planning role, including responsibility for drawing up a local Health Improvement Programme, in consultation with local health and social care organizations (para. 4.7). PCGs and providers will have a duty to operate according to the Health Improvement Programme.

At national level, the National Institute for Clinical Excellence (NICE) will produce 'clinical guidelines based on relevant evidence of clinical and

cost-effectiveness' (para. 7.11). National Service Frameworks will 'establish principles for the pattern and level of services required' for particular conditions (para. 7.9) and reduce variation. A new Commission for Health Improvement will monitor quality and will have powers to intervene if serious problems occur (para. 7.13). It may also have a role in ensuring NICE guidelines are properly implemented.

Trusts will be subject to a stronger, more quality-based performance management system. Indicators will include 'fair access' to services, the provision of effective and appropriate services and a reduction in 'inappropriate treatments' (para. 8.5). This should eliminate 'a narrow obsession with counting activity for the sake of it.' Trusts will also be monitored on the development of 'clinical governance', which aims to ensure clinical practice is evidence-based and consistent (para. 6.12).

Trusts will have a new statutory duty to act in partnership, rather than competition (para. 6.6). Regional offices will have powers to intervene on behalf of the secretary of state where monitoring of trusts reveals persistent problems or failure to abide by the Health Improvement Programme (para. 7.18). The White Paper notes that 'market-style incentives drove NHS Trusts to compete to expand their "business" irrespective of whether this reflected local NHS priorities' (para. 6.2). The duty of partnership means 'the days of the NHS Trust acting alone without regard for others are over' (para. 6.7).

SIGNIFICANCE OF FINDINGS FOR THE NEW NHS

Resource pressures

Whatever the structural changes to the NHS, it is likely that resource pressures will remain an important influence on the nature and extent of explicit rationing. The NHS budget has been increased more substantially under the new government than many had expected. The findings from the case studies suggest some, but not all, purchasers would take the opportunity of extra resources to hold back from explicit rationing, at least on a temporary basis. However, it is questionable whether the increase in funding is sufficient to keep pace with additional demands, particularly in the form of new drugs.

Perhaps of greater significance for the longer term is the increasing disillusion with rationing by exclusion as a mainstream strategy for dealing with financial pressures. The trend towards a blend of implicit measures such as fixed provider budgets and reliance on clinical decision making, but within a framework of guidelines and eligibility criteria that is more explicit than ever before is consistent with the direction of the White Paper.

Separation between commissioning and providing

It is unclear what the effect will be of seeking to abolish the market, yet retaining a clear distinction between commissioning and providing. On the

surface, retaining this separation leaves in place one of the key causes of greater explicitness identified by interviewees. There will still be divergent interests between commissioners and providers, which will have to be settled through negotiation rather than command. It remains to be seen whether the inevitable rivalry between providers for resources will continue to be played out in the very public and explicit way encouraged by the purchaser provider split, or whether a new spirit of partnership will make a real difference to the way hard choices are taken.

One unknown quantity is the effect of placing GPs at the head of the commissioning process throughout the NHS. One reason why the purchaser provider split contributed to greater explicitness could be because it separated clinicians more sharply from the resource allocation process. Lay health authority purchasers could not make the same kind of informal and individualized rationing decisions that doctors could, and had to resort to more formalized general statements of what could or could not be purchased. PCGs, by realigning clinical and financial responsibility, may offer renewed scope for implicit rationing.

However, even if PCGs could revert to more implicit mechanisms, there is no guarantee that they would want to. They may feel the same ethical obligation to be explicit as health authority purchasers. The size and heterogeneity of PCGs may also make it difficult to maintain implicit consensus about rationing between all members.

The government may be attracted to PCGs as 'a way of devolving responsibility and blame for unpopular rationing decisions' (Ham 1998, p. 212); however, this fragmentation may be incompatible with the trend towards managing financial pressures through fixed budgets for providers, and may result in provider dominance and weakened purchasing (Light 1998). Whether providers would use this dominance to force rationing decisions explicitly back to commissioners or to re-appropriate decision making to themselves is unclear.

Effectiveness evidence and political will

Despite political reluctance to describe the National Institute for Clinical Excellence (NICE) as a priority setting or rationing body, it is one of several initiatives in the White Paper aimed at reducing variation, eliminating less effective services, and making the consideration of cost-effectiveness a primary concern. It will in effect seek to address the fundamental rationing questions of what services should be provided, to whom, and in what circumstances, through the national production and dissemination of evidence-based guidelines.

This links back to two related themes which were already emerging before the White Paper and which are evident in the research findings described above. One is the recognition that the complexity of interpreting effectiveness evidence for individual patients requires clinical judgement and cannot be specified in advance. The other is that ensuring consistent

and effective treatment is targeted at those most in need requires more than the discretion of individual clinicians, and needs to be guided by more explicit frameworks and criteria. As noted earlier, these themes are also evident in the developing international debate, especially in Scandinavia, the Netherlands and New Zealand.

A mixed model of rationing, which places trust in clinical judgement to interpret priority criteria established explicitly at national level, finds a reflection and reinforcement in the proposed new structural model of the White Paper, with its twin emphasis on partnership and stronger national accountability, monitoring and intervention. There is some evidence that, within this new model, the government may be prepared to modify its expressed reluctance to countenance rationing in the NHS – the recent decision to restrict funding for the drug Viagra for impotence is a case in point. Ministers are talking more openly about the realities of scarce resources and rationing.

Whatever the reactions of different players to the new interests and incentives created by the White Paper, the use of effectiveness evidence to set explicit guidelines seems to be an international trend, which is set to continue irrespective of the structure of the NHS. If it does, it will allow explicit rationing to develop on a much broader scale than ever before, but in a direction which restores legitimacy to clinical judgement.

ACKNOWLEDGEMENT

The research on which this article is based was funded by an Economic and Social Research Council award.

REFERENCES

- Bartlett, W 1991. 'Quasi-markets and contracts: a markets and hierarchies perspective on NHS reforms', *Public Money and Management* (autumn), 53–61
- Calabresi, G and P Bobbitt 1978 *Tragic choices* New York: Norton.
- Coast, J. 1997 'Rationing within the NHS should be explicit – the case against', *British Medical Journal* 314, 1118–22
- Department of Health 1991 *The Patient's Charter* London HMSO.
- Doyal, L 1997. 'Rationing within the NHS should be explicit – the case for', *British Medical Journal* 314, 1114–8
- Glennester, H 1975 *Social service budgets and social policy British and American experience* London Allen and Unwin
- Government Committee on Choices in Healthcare. 1992 *Choices in health care*. Rijswijk: Dutch Ministry of Welfare, Health and Cultural Affairs
- Hadorn, D and A Holmes 1997 'The New Zealand priority criteria project Part 1 overview and Part 2 coronary artery bypass graft surgery', *British Medical Journal* 314, 131–4 (part one) and 314, 135–8 (part two)
- Ham, C. 1982. *Health policy in Britain* (1st edn) London Macmillan
- 1998. 'Financing the NHS', *British Medical Journal* 316, 212–3.
- Ham, C and L Locock 1998 *International approaches to priority setting in health care*. Handbook series 25 Birmingham: Health Services Management Centre, University of Birmingham
- Harris, J. 1987. 'QALYfying the value of life', *Journal of Medical Ethics* 13, 117–23

- Hills, J and K Gardiner. 1997. *The future of welfare a guide to the debate* York: Joseph Rowntree Foundation.
- Holm, S. 1998. 'Goodbye to the simple solutions. the second phase of priority setting in health care', *British Medical Journal* 317, 1000-2
- House of Commons, Health Committee 1994a *Priority setting in the NHS: purchasing*. HC 288-I. *Minutes of evidence and appendices*, vol 1 London. HMSO.
- 1994b. *Priority setting in the NHS: purchasing*. HC 27 *Memoranda received from regional health authorities*, vol 1. London: HMSO
- Klein, R. 1989. *The politics of the NHS*. (2nd edn) London: Longman.
- Klem, R., P. Day and S Redmayne. 1996. *Managing scarcity priority setting and rationing in the National Health Service* Buckingham: Open University Press.
- Lenaghan, J. 1996 *Rationing and rights in health care* London. Institute for Public Policy Research
- Light, D W 1998 'Is NHS purchasing serious? An American perspective', *British Medical Journal* 316, 217-20
- Mechanic, D 1995 'Dilemmas in rationing healthcare services: the case for implicit rationing', *British Medical Journal* 310, 1655-9.
- Mullen, P 1995. *Is healthcare rationing really necessary?* Discussion Paper 36, Birmingham. Health Services Management Centre, University of Birmingham
- National Advisory Committee on Core Health and Disability Support Services. 1992. *The best of health: deciding on the health services we value most*. Wellington, New Zealand
- New, B and J Le Grand. 1996 *Rationing in the NHS: principles and pragmatism* London King's Fund
- Newdick, C. 1995. *Who should we treat? Law, patients and resources in the NHS* Oxford Oxford University Press
- NOU 1987 *Guidelines for Priority Setting in the Norwegian Health Service* 23 Oslo. Universitetsforlaget.
- Oregon Health Services Commission 1991 *Prioritization of health services a report to the governor and legislature*. Salem: Oregon Health Services Commission.
- Saltman, R. and C von Otter (eds) 1995. *Implementing planned markets in health care*. Buckingham: Open University Press.
- Secretary of State for Health 1997 *The new NHS*. London: Department of Health.
- Swedish Parliamentary Priorities Commission. 1995. *Priorities in health care ethics, economy, implementation* Stockholm: Ministry of Health and Social Affairs, SOU 1995:5.
- Van de Ven, W P.M.M. 1995 'Choices in healthcare: a contribution from the Netherlands' in R. Maxwell (ed.), 'Rationing health care' *British Medical Bulletin* 51, 4 Edinburgh: Churchill Livingstone.
- Williams, G. and R Flynn 1997. 'Health-care contracting and social science issues in theory and practice', in R. Flynn and G. Williams (eds.), *Contracting for health* Oxford: Oxford University Press
- Williamson, O E 1975 *Markets and hierarchies: analysis and anti-trust implications* New York: Free Press
- Working Group on Prioritization in Healthcare 1995 *From values to choices: Report of the Working Group on Prioritization in Health Care*. Helsinki: National Research and Development Centre for Health and Welfare (STAKES).

Date received 21 April 1998. Date accepted 2 February 1999.

Disasters

The Journal of Disaster Studies, Policy and Management

Published for the Overseas Development Institute

Edited by Helen Young and Joanna Macrae

Disasters is a major, peer-reviewed quarterly journal reporting on all aspects of disaster studies, policy and management. It provides a forum for academics, policy-makers and practitioners reporting on high quality research and practice related to natural disasters and complex political emergencies around the world. The journal maintains a balance between academic papers, field reports from relief workers, case studies, and articles of general interest. It also contains book reviews. Letters and discussion are welcomed.

Disasters:

- Influences policies and practices which help to prevent disasters and mitigate their effects
- Adopts a world-wide geographical perspective
- Contains a mix of academic papers, field studies and book reviews
- Is the leading journal in the field of complex emergencies and natural disasters
- Promotes the interchange of ideas between practitioners, policy-makers and academics.

Disasters ISSN: 0361-3666. Volume 24 (2000) contains 4 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk



BLACKWELL
P u b l i s h e r s

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

PARTNERSHIP AND POLICY NETWORKS IN RURAL LOCAL GOVERNANCE: HOMELESSNESS IN TAUNTON

PAUL CLOKE, PAUL MILBOURNE AND REBEKAH WIDDOWFIELD

In this paper we discuss the importance of 'partnership' and 'policy networks' in the new contemporary governance of rural areas. We use these notions to contextualize the representation of, and policy response to the particular issue of homelessness in the rural service centre of Taunton in Somerset. Here particular partnership networks have been brokered by the local authority which bring together a wide range of business, voluntary and community interests with a stake in the homelessness issue. Strong pre-existing discourses of homelessness in Taunton characterize the issue as one of a town centre problem of 'beggars, vagrants and drunks'. We offer evidence from the local press to suggest that these discourses have been persistently peddled by particular interests in the town. New forms of partnership were inevitably embroiled with the pursuit of these existing discourses, and contrary voices were unable to redefine existing social relations within policy networks. The evidence from Taunton suggests that where partnership merely involves attempts to repackage existing resources, it seems unlikely that it will fulfil some of the more optimistic claims for a more pluralist form of governance in the local arena.

RURAL GOVERNANCE: THE EMERGENCE OF PARTNERSHIP

In a recent paper, Mark Goodwin (1998) has highlighted the reluctance of rural scholars to engage with new ideas about governance: '... despite huge changes in the processes and structures of rural "governing", academic debate in the rural literature has steered clear of any serious engagement with what we might term the "governance perspective"' (p. 6). He proposes a re-orientation of research which re-evaluates the old distinctions between market, state and civil society and which recognizes the importance of new dependencies and relationships. The re-orientation will involve new understandings both about the structures and fissures of power in rural areas, and about the ways in which social, economic and political interests are represented in national, regional and local arenas. In this paper we acknowledge the validity of this evaluation, and use notions of governance, policy networks and partnership to contextualize the representation of, and policy response to, a particular social issue – homelessness – in a specific rural locale. We suggest that while particular forms of policy praxis emerge

Paul Cloke is Professor in the School of Geographical Sciences, University of Bristol Paul Milbourne is Senior Research Fellow, and Rebekah Widdowfield is Research Fellow in the Department of City and Regional Planning, Cardiff University.

from the configuration of networks and partnerships in a local rural area such as Taunton, there is also evidence that more general and long-standing processes of discrimination against 'other' social groups will persist under these seemingly new arrangements. Despite the apparent wish for the voices of homeless people to be heard within new partnership networks, those voices are effectively overwhelmed by the louder, more powerful voices of political and economic élites, for whom partnership provides opportunities to manipulate the cultural representation of issues such as homelessness.

Recent conceptualizations of governance (see, for example, Goodwin and Painter 1996; Jessop 1995, 1997; Judge *et al.* 1995; Rhodes 1996, 1997; Rose 1996; Stoker 1996, 1997a) suggests a new interdependence of governmental and non-governmental agencies, a new collectivity of action, and a move away from assumptions about the primacy of the state as the site of political activity. A governance perspective therefore theorizes a 'blurring of boundaries' (Stoker 1996) between distinct private sector and public sector activities, and poses important questions about the changing nature of power, decision making and agency interaction. It emphasizes how a wide range of actors and agencies are now required to contribute resources and skills to a tangled web of policy making, and how in so doing the very meaning of government is being altered. In some cases new forms of governance can be seen as being associated with the New Right ideologies of the 1980s, which promised a rolling back of government, but delivered instead a shift in the form of government, characterized by the rise of quangos (Clope 1992). To this context should be added the increasing importance of European Union funding which, as Ward and McNicholas (1998) suggest, results in 'local, regional and national actors . . . being required to work in new ways to plan for and administer rural development programmes' (p. 27). Equally important in rural areas, however, is the long-standing ethic and cultural package of self-help, and the rather convenient reliance on voluntary agencies to provide services which either were previously provided by the state, or were never statized at all.

What interests us particularly in this paper is the way that governance is characterized by the development of new localized policy networks. According to Rhodes (1997) a policy network is 'a cluster or complex of organisations connected to one another by resource dependencies' (p. 37), and can range from 'highly integrated policy communities to loosely integrated issue networks' (p. 38). A network is rooted in resource exchange: '... the distribution of resources between actors in a specific network remains central to any explanation of the distribution of power in that network. Equally, the different pattern both of resources, and their distribution between the several actors in networks explains, in part, the differences between networks' (p. 37).

In the post-1979 period in Britain, the nature of policy networks has changed significantly. The previously functional networks based on central

or local government departments have been made more complex with the addition of new actors and agencies from the private and voluntary sectors. Government institutions have been differentiated and pluralized, with the result that service delivery systems have become fragmented. Increasingly, the key role of central and local government has been reduced to one of seeking to co-ordinate or manage policy networks through facilitation and negotiation. As Rhodes (1997) indicates, these changing networks pose new issues for the public manager: 'Is their role to regulate networks (in the sense of maintaining relationship)? Do they act as guardians of the public interest? Do they still have the authority and legitimacy to claim a privileged position in the network? Can they be privileged actors in the network without undermining the discourse' (p. 58). This mention of discourse reflects an alternative understanding of policy networks. Thus far they have tended to be viewed in the light of powerful actors or agencies controlling networks through resource or position or both. There is scope, however, for the new fragmented networks to act as arenas of more pluralist participation. Fox and Miller (1995), for example, argue that some contemporary policy networks and inter-agency consortia represent sites where discourses on particular issues can be influenced by a variety of interests, including less powerful ones. Here, they envisage a situation where 'think tank experts, legislative staff, policy analysts, public administrators, interested citizens, process generalists, even elected officials [are] participating together to work out possibilities for what to do next' (p. 149).

The generation of complex policy networks is also often characterized by the valorization of 'partnership'. Lurking close to the surface of partnership discourses is the vague promise of citizen self-government – an opportunity to participate in these new forms of governance and an opportunity to raise the profile of issues, interests or client groups by entering into 'partnership' (see Stoker 1997b). For some, the new partnerships of governance offer an opportunity for revitalized systems of bargaining, negotiation and collaboration in the 'fragmented post-Fordist context' (Mayer 1994). As Murdoch and Abram (1998) suggest, however, only those citizens and voluntary groups with the requisite resources and skills are likely to be able to discharge the responsibilities that partnership entails. Moreover, the very proliferation of experimental and often competitive partnership initiatives (see Bassett 1996) can be seen as further undermining the potential for policy and action from within the state, and at the same time as achieving precious little in terms of establishing an effective alternative service delivery system.

These concepts of governance, policy networks and partnership offer important insights into new forms of policy and action at various scales, including the localized contexts which are emphasized in this paper. Who controls the membership, agenda, business and outcomes of new networks? Are 'partners' willing to relinquish control/resources to fulfil the aspirations of other partners, or is partnership essentially an exercise of maximizing what can be gained from participating in that particular policy network?

Will new collaborations be used to develop new discursive representations or merely to reinforce existing discursive hegemonies? What new forms of power will result from the exercise of particular social relations and practices within partnerships, and in particular what are the consequences of actions which serve practically to define or redefine what 'holds everyone together'? It is these questions which we seek to address in a localized study and representation of partnership, dealing with homelessness issues in Taunton.

HOMELESSNESS AND RURALITY

How the issue of homelessness is dealt with in Britain very much fits the partnership pattern. There has been an underlying assumption that central and local government will collaborate with a range of non-governmental agencies to provide a response to homelessness. Central state action on homelessness is limited and has been focused on dealing with street homelessness through the Rough Sleeper's and Cold Weather Initiatives and, as such, has been predominantly city based (Webb 1994; DOE 1996). Other responses to homelessness have been essentially punitive (Daly 1996; Lowe 1997). The 1996 Housing Act for example, abolished priority for homeless households on the waiting list for a council property and removed the duty of local authorities to provide permanent accommodation for these households in response to the unsupported belief that homeless households were 'jumping' the queue. Under the new Labour administration, priority for homeless households has been restored, and plans to restrict Housing Benefit for people over 25 have also been scrapped (though there has, as yet, been no move to restore full housing benefit to the under 25s). In addition, initiatives to reduce unemployment and poverty, such as the 'welfare-to-work' programme, hold out the possibility of reducing the vulnerability of young people in particular to homelessness. There have, however, been few direct measures in tackling homelessness, and it has been predominantly left to the local state to deal with homelessness against a background of changing legislation, decreased social housing stock and reduced public spending. In such constrained circumstances, the role of voluntary agencies, often working in partnership with local authorities, has been fundamental in tackling the problem, and without the work of bodies such as Shelter, Citizens Advice Bureaux and locally specific organizations, the scale and severity of homelessness would undoubtedly be much worse (Daly 1996).

'Tackling' the problem of homelessness is itself constrained by hegemonic discourses which seek to define and to problematize homelessness in very specific ways. In particular, the minimalist definition of homelessness as rooflessness continues to dominate political agendas. This emphasis on the most visible form of homelessness ignores the needs of those experiencing less extreme, yet still distressing and potentially destructive, forms of homelessness which are hidden from the public purview of the city street. A number of commentators (for example Watson 1984; Watson and

Austerberry 1986; Blasi 1990; Hutson and Liddiard 1994) have conceived of a wider definition of homelessness as being a continuum of housing situations ranging from life on the streets to people living in inadequate or insecure housing. However, while there is a general consensus that those without any form of shelter are homeless, as the definition is extended to encompass people with recognizable but less extreme housing problems – for example, those living in insecure or overcrowded accommodation – it becomes increasingly difficult to draw a distinction between those with and without a home. This difficulty feeds into a broader debate on the distinction between a house as a means of shelter and a home which implies much more than a physical structure. As Hutson and Liddiard (1994, p. 29) contend, ‘in its broadest sense, the term “homeless” means not having a “home” . . . the problem, however, lies in defining what one means by the term “home”. A “home” . . . clearly means more than a house’. Given such complexities, the more ‘graspable’ idea of rooflessness continues to dominate ‘official’ discourses of homelessness, and more ‘hidden’ forms of homelessness – including, for example, people who do not register under the formal system or who are not prioritized in homelessness legislation, concealed households and those who sleep rough but not regularly or in known sites – remain hidden.

One very crucial element of the hiddenness of homelessness is spatial, in that hegemonic discourses and definitions serve to conflate the ‘problems’ of homelessness with imagined geographies restricted to big cities. Yet there is clear evidence both in the UK (see, for example Lambert *et al.* 1992; Bramley 1994) and in the USA (Fitchen 1991, 1992; Lawrence 1995; Walmer 1989) both that homelessness does occur in rural areas, and that the scale of the problem is significantly underemphasized by official data sources. Moreover, there are recognizable characteristics of the geographies of rural areas which seem to contribute to the assumption that homelessness is an urban phenomenon, and is rendered invisible in rural space. First, there are the well-charted disadvantages of living in a rural location. Reporting on a conference on youth homelessness in rural areas for example, Button (1992, p. 7) outlines the rural context:

Whatever the local infrastructure or individual reasons for wanting to leave home, when they do leave, young people inevitably find themselves in competition with people who are more affluent, can afford to buy available local housing, and who are not necessarily dependent on local services for their existence or for maintaining their lifestyle. As more people like this move into an area, buying up housing once available for local people to rent, all local people and services suffer. Shops close, public transport dwindles and villages become museums rather than thriving communities made up of a range of age groups and types of people. The dilemma for young people in these areas occurs when they leave home to be independent but lack the resources to realistically achieve this.

As a result there has been a movement of people with housing difficulties away from rural areas to larger settlements in what Ford *et al.* (1997) have recently referred to as the 'export' or 'urbanization' of homelessness.

Secondly, the invisibility of rural homelessness may be compounded by socio-cultural barriers which prevent or hinder people from receiving the assistance they require and ensure that their homelessness remains hidden. Numerous studies (see for example Scott *et al.* 1991; Cloke *et al.* 1995, 1997; Woodward 1996) have reported a reluctance among people living in rural areas to acknowledge the existence of poverty and deprivation in their communities and it might be expected that this attitude extends to denying or failing to acknowledge the existence of homelessness. Evidence from research into rural deprivation suggests a high degree of self-reliance, dependency on local, informal networks of support, and related to this, feelings of shame at requiring 'outside'/professional help which, along with the lack of anonymity in a small community and fear of being stigmatized, may deter people from approaching their local authority and other agencies for help.

Thirdly, the much vaunted notion of the rural idyll serves to keep the problem of homelessness in rural areas hidden. Rural life has been cherished and idealized, and notions of close-knit communities leading happy, healthy lives in an idyllic and problem-free environment have become a powerful representation of rurality (Cloke and Milbourne 1992). Discourses of rural life screen out antithetical problems such as poverty and homelessness which challenge these popular constructions of rural life as a problem-free living environment (see Cloke 1995). For example, the recent White Paper *Rural England: A Nation Committed to a Living Countryside* (1995) eschews discourses of poverty and homelessness in a rural setting preferring to talk – and then only briefly – about deprivation and housing need.

Consequently, knowledge about local homelessness problems in rural areas is seldom sought after, and when it comes to light tends to be argued away as non-conforming and relatively unimportant compared to elsewhere. The net result of this 'othering' of problematic issues within dominant social and cultural constructions of rurality and rural life, is that homelessness is deemed out of place in rural areas. Following Sibley (1995), we can identify the countryside as a purified space whose boundaries are policed and where the rejection of difference is embedded in the social system. As we suggest elsewhere (Cloke *et al.* 1999), homeless people do not 'belong' in this purified space, and this experience of being out-of-place, or not belonging, is a major cultural prompt to rural residents and to those agencies whose jurisdiction covers these geographical areas, not to acknowledge homelessness as a legitimate part of their discourses on rurality.

However, although discourses of rural social space generally serve to exclude many forms of homelessness as a potentially transgressive issue, it would be erroneous to suggest that the application of these discourses

is in any way regular. Distinctions between rural and urban geographical spaces are often significantly blurred (Wilson 1992) and social spaces of rurality are becoming increasingly detached from geographical spaces (see Cloke and Little 1997). Therefore it is to be expected that homelessness will seem more out-of-place in some rural environments and places than in others. Moreover recent research (Button 1992; Wright and Everitt 1996; Ford *et al.* 1997) has highlighted the interconnection between (small) towns and their surrounding rural areas and Shelter have stressed that the interaction between a market town and its surrounding rural district must be looked at in order to appreciate the scale of homelessness. While ideas of rural idyll, and perceptions of homelessness as an urban problem which is 'out-of-place' in rural spaces, tend to be worked out in the geographical imagination of small rural villages, our work in Taunton has revealed that these ideas often emerge in the larger settlements which service them as well. It is to this example we now turn, using our study of homelessness in the town to examine the issues of partnership and representation in contemporary local governance in rural areas.

HOMELESSNESS IN TAUNTON

Taunton is a market town in South West England, with a population of some 45,500, and a rural hinterland containing a similar number of people again. This serving of a hinterland is crucial to its place in the understanding of rural homelessness. In 1995, of the 750 individuals or households seen by Shelter's Taunton office, who were either homeless or threatened with homelessness, only one-third were based in Taunton itself, while two-thirds came from the surrounding rural areas (*The Big Issue* 192, 29 July–4 August 1996). In a previous study of the area, Woods (1998) has demonstrated how the local authority – Taunton Deane Borough Council (TDBC) – has actively been repositioning itself both as an advocate of local people and local interests, and as an advocate of idyllic representations of rurality. Moreover, he shows how discursive prompting of local public opinion is strongly influenced by local news media, which in turn becomes a platform for the voicing of certain kinds of élite discourses about the town and the area. This is especially the case where homelessness is concerned. Archival research on stories and letters carried in the local newspaper – the *Somerset County Gazette* (SCG) – provides very interesting illustrations of the discursive representations of homelessness in Taunton.

The following narrative of homelessness in Taunton enables reflection on a number of the important theoretical issues raised above. We are interested in examining the nature of local policy networks, especially in relation to how such networks are held together, who controls membership, business agendas and outcomes, and what role is performed by public sector managers. We are also interested in the ways in which inter-agency partnerships emerge as the mechanisms by which governance occurs in the context of representing and responding to homelessness issues. In particular we pose

the questions of whether such partnerships are responsible for the development of new discursive representations of homelessness, rather than merely reinforcing existing ones, and whether these discourses can be accessed and influenced by less powerful agents within partnerships. We begin, therefore, by surveying the representations of homelessness in Taunton and assessing the localized nature of homelessness issues which form the context for partnership within and between policy networks.

THE REPRESENTATIONS OF HOMELESSNESS IN TAUNTON

Perhaps one of the clearest strands to emerge from a review of local press coverage is the way in which different groups of people and individuals with different sets and sorts of problems are all lumped together in one homogenous mass in discussion of 'the problems' of the town centre. Articles frequently refer to a trio of 'undesirables' namely, 'beggars, vagrants and drunks'. The 'homeless' are blamed for the problems of drunkenness and aggressive begging in the town centre, yet while undoubtedly in some instances there are relationships between the two, it cannot be assumed that all beggars are homeless or that all homeless people beg, or are addicted to drugs and/or alcohol. Indeed, as an article in *The Big Issue* discussing 'the recent moral panic in Somerset' pointed out, "begging, street homelessness, drunkenness and street crime should only be banded together in one way. They are all symptoms; the result of some other failing in society" (7–13 October 1996). However, despite the tendency to conflate the issues of homelessness and begging, some differentiation is perceived within the homeless population with a distinction drawn between the 'genuine' homeless – reluctant victims of their circumstances – and the 'idle' homeless for whom their situation is considered to represent a lifestyle choice. Several articles report the suspicion of a number of individuals that people on the streets are not really homeless. And it is here that key actors in local policy networks emerge as 'discourse-formers'. One such actor is a local Conservative councillor, James Meikle, who made frequent use of local newspapers to stylize a discourse of the undeserving nature of forms of street homelessness. For example, in one letter he claims, 'beggars and buskers are not all destitute. State benefits are often received and they are often not homeless as claimed on their cardboard signs' (SCG 30 August 1996).

In addition, not even the 'genuine' and thus, presumably 'legitimate' homeless, as personified by sellers of *The Big Issue*, gain unequivocal support and acceptance. Here, public managers and local politicians are embroiled in the issue in terms of their local regulatory functions. For example, TDBC's Policy Committee came to the decision that that *Big Issue* vendors would be exempt from any licensed trading scheme. The clear implication was that this exemption represented a regulatory limitation of the scheme. More overt reservations about the selling of *The Big Issue* on the streets of Taunton were voiced by another key actor, the then MP, David Nicholson, who while recognizing it as a legitimate activity seemed to see such selling

as the start of a downward spiral into (even) less desirable activities: 'once it is established you can solicit money by playing music or selling *The Big Issue*, then it's only a matter of time before people sit there and ask for your money' (SCG 13 September 1996).

The discursive arena, therefore, was divided between those who see the 'beggars, vagrants and drunks' as problems, and those who regard them as people *with* problems. However, the editorial policy of the SCG was loaded in favour of key actors who were promoting discourses which problematized homelessness as an unwanted blot on the townscape. Thus press reports based on the comments and concerns of businessmen such as Kit Chapman (who is the Managing Director of the Castle Hotel in Taunton) received prominence on the leading pages of the SCG. However, the letters page of SCG demonstrated a much greater appreciation of, and attention to, the causes and some of the experiences and circumstances which lead people into (and also hinder their exit from) begging, homelessness, and drug/alcohol addiction. For example, one letter notes, 'once homeless, you leave society and it is difficult to return . . . For those who have become streetwise and survived, street-life has become habitual, without expectations for anything else' (30 June 1997). Another correspondent talks about the 'truth of homelessness': 'young people who had been brought up in care, or fled their families because of violence, or people who through a series of misfortunes found themselves penniless and alone' and argues, 'People living on the streets of Taunton deserve respect, compassion and practical support' (21 March 1997). A third writes, 'It is largely as a direct result of the government's policies that so many people find themselves homeless today . . . Homeless people do not need to be referred to as a "problem". What they do need is respect as fellow human beings'.

While there is *potential* here for hegemonic discourses to be influenced by these less powerful voices which express sympathy for homeless people, the principle discursive impetus for action came predominantly from key actors who were less sympathetic and whose local social or political position placed them at the accessible nexus of discursive formation on the issue. One of the key tactics here was to channel discursive attention into how homelessness was a problem 'for the town'.

HOMELESSNESS AND BEGGING IN TAUNTON – A PROBLEM FOR WHOM?

Two, contrasting, moral convictions seem to underpin the local press coverage of homelessness in Taunton. First, as expressed by concerned individuals and representatives from various voluntary bodies, there is a sense of outrage based on a moral conviction that in the twentieth century, and in a supposedly developed and civilized society, people should still find themselves with nowhere to live and be reduced to begging for spare change from passers-by. The second, as expressed by key actors, particularly conservative politicians and business leaders, relies on a sense of

outrage that 'normal' hard-working people should have to encounter the nuisance and perceived threat of begging while going about their legitimate business. In the words of local business leader Kit Chapman, these beggars and vagrants, 'do nothing to enhance the area for people who come here to use business facilities and spend money' (SCG 14 March 1997).

It is this second set of moral convictions which has been powerful in representing 'the homeless' and beggars on the streets of Taunton as both a physical and economic threat. These threats are related, with obvious economic consequences if fear or abuse or harassment deters shoppers and tourists from visiting the town. This risk to trade/profit is of paramount importance and is perhaps the driving force behind, certainly the business community's, concern to tackle homelessness and begging. James Meikle for example, Conservative town councillor (and, the owner of a local business) talks of the need to control the 'vitally important shopping environment' and calls for a 'Shopper's Charter' 'so the people of Taunton can shop in the town centre without feeling a sense of potential danger' (SCG 30 August 1997). Other local businessmen have bemoaned the unfavourable impression of the town created by the presence of 'beggars, vagrants and drunks', while the Liberal Democrat leader of TDBC expressed the need to ensure that public drinking and begging do not drive away potential visitors.

However, while the reaction of the business community to homelessness and begging highlights an ordering of priorities which places profit before people, TDBC – while anxious to protect the economic viability of the town – has been responsible for the introduction of more humanitarian concerns into public discussions of issues relating to homelessness. Thus, the wish 'to ensure that the enhanced town centre continues to be a safe and pleasant environment for all members of the public' is linked with the wish to 'get the balance between caring and the need to ensure a viable and prosperous town centre' (Inter-Agency Meeting on homelessness, 12 December 1996).

These twin objectives are also emphasized in the press which recognizes the need both, 'to help people who are vulnerable and to protect townspeople who are frightened' (SCG 13 September 1996). What is less apparent however, is any recognition that these aims are compatible rather than contradictory. Helping people who are vulnerable move out of the circumstances that lead them into homelessness and/or begging will, if not 'eliminate', at least reduce the number of people on the streets and with it the fear felt by some members of the public and the consequent detrimental impact on trade and tourism if people are deterred from coming into the town. In addition, as a special feature on homelessness in the SCG questions, 'are street people really threatening and intimidating or do we just see them that way because they are different?' That is not to deny that *perceived* threats, as studies into the fear of crime demonstrate, can exert a damaging and constraining affect on people's lives, but at the same time

it would suggest an alternative approach to resolving the issue, one which is based on education and contact between these 'others' and the town's more conventional residents. As Sibley (1995, p. 15) points out, 'fear precedes the construction of the bad object, the negative stereotype, but the stereotype – simplified, distorted and at a distance – perpetuates that fear'.

INSIDERS/OUTSIDERS

By drawing a distinction between *townspeople* and people who are vulnerable, the SCG also highlights the way in which 'the vulnerable' are seen as 'outsiders' not only in a social/moral context but also geographically. Time after time, and in a number of different arenas, homelessness and begging are presented as problems predominantly created by people coming from outside Taunton. For example, minutes from a meeting of the TDBC Policy Committee (3 October 1996) refer to an '*influx* of beggars and the homeless on the streets'. Here we detect one discursive mechanism by which potential inter-agency partnership can be 'held together'. Any assistance to be given to homeless people is circumscribed by the insistence that too sympathetic a response or too generous a provision of services would exacerbate problems by attracting more homeless people into the town. David Nicholson, Conservative MP for the area before losing his seat at the 1997 election, for example referred to the dilemma of 'how to provide help for people who are genuinely in need without attracting more homeless people to Taunton' (SCG 4 October 1996).

In addition, it is not only that the individuals themselves are perceived as outsiders but the problems they manifest are seen as disingenuous to images of the rural – these are problems that you might expect to find in cities but are out of place in a more rural setting such as Taunton. Homelessness and begging are seen as totally alien to the rural environment and the idea that rural space is being defiled by these urban problems is perhaps reflected in Kit Chapman's comment that without action 'the centre of Taunton will become another nasty inner city ghetto' (23 August 1996). As such the appearance of homeless people and beggars on the streets of the town represents both a challenge to the popular construction of rural life as being problem-free and a transgression from the socio-spatial expectation of homelessness and begging as urban problems. These constructs are held by most if not all potential 'partners' who might be called upon to implement governance with relation to homeless people. The action outcomes from any new networks are therefore constrained by the everyday imagined geographies of rural and urban life.

HOMELESSNESS AND BEGGING A PARTNERSHIP APPROACH?

In October 1996, concerns that improvements to the town centre could be spoiled by 'the influx of beggars and homeless on the streets', led TDBC to draw up a 'Six Point Initiative' 'to ensure that the enhanced town centre continues to be a safe and pleasant environment for all members of the

public'. The initiatives proposed involved: information gathering with two surveys, one of homelessness and begging and the second to establish the attitudes of town centre users towards vagrancy and the consumption of alcohol in public; practical measures with improved street cleaning and plans to introduce a system of diverted giving in which so-called 'begging boxes' are placed in a number of stores as an encouragement to shoppers to help 'the homeless' in this way rather than giving money to people on the streets; and moves towards greater official regulation of public space with investigation of the possibility of introducing a local bye-law to restrict sale and consumption of alcohol and proposals to establish a licensing scheme for street trading.

The proposals were drawn up jointly by leaders of the three main political parties, and involved a number of organizations, including: the police; the Town Centre Partnership (set up in response to an identified need for the business sector and TDBC to work more closely together for the benefit of the town, and consisting of representatives from major national retailers within the town, the Chamber of Commerce, TDBC and Somerset County Council) and voluntary organizations such as Shelter, Taunton Association for the Homeless (an organization running hostels) and Open Door (who run a drop-in and advice centre). Here is clear evidence of the establishment of 'partnership' within contemporary local governance. However, it is important to recognize that this partnership arose under particular circumstances. Discourses of the 'problem' of homelessness in Taunton had already been formed and negotiated in the local press, and although two 'sides' to the issue had been aired, the loud voices of local businessmen and some elected representatives have successfully framed the problem in terms of 'unacceptable' street behaviour. Moreover, dominant discourses also pointed to a *regulation* of the problem (that is by a stricter 'policing' of public space) rather than a response to the needs which some voices suggest underlies the problem. In particular the interests of local capital and consumers were set against those agencies who were seeking to enhance the welfare of homeless people. This, then, was a partnership in which, initially at least, there seemed to be little willingness to relinquish control or resources in order to fulfil the aspirations of other partners in the policy network. Partnership in the network was undertaken from a platform of pursuing key sectoral interests.

The role of a key local government officer – TDBC's Housing Officer – was crucial in the establishment of a wider policy network with which to engage in homelessness partnership in Taunton. Soon after the 'Six Point Initiative', he brokered a 'Town Centre Inter-Agency Meeting' which brought together more than 40 individuals representing 19 or so agencies including the Town Centre Partnership, the police, the Private Landlords Association and local business (those, perhaps most interested in regulation 'solutions'), but also including local housing associations, Citizens Advice Bureaux, Shelter, the homeless agencies (Taunton Association for the

Homeless; Open Door) local churches, *The Big Issue*, detached youth workers and TDBC itself. There was a strong sense that by calling together these potential partner agencies something was being done about the 'problem'. There was also a sufficiently wide constituency to allow participants the prospect of participatory citizenship with partnership. A sense of pluralism within partnership was fostered in this and subsequent meetings by the organizational gambit of going around the room asking each participant for their particular views and reactions.

It would be overly simplistic to define the various interests represented in terms of business interests, housing agency interests and council interests, with the latter being a complex amalgam of concerns relating not only to housing and homelessness responsibilities but also to maximizing local economic growth and to the need to maintain voter support. However, although such categories are by no means mutually exclusive, they do illustrate the varying motivations for the involvement of individuals and agencies in the partnership approach and the different priorities which are likely to result. What emerged most clearly from the meetings therefore, was the concern of the business community that homelessness and begging have a detrimental affect on trade. So far as the voluntary agencies are concerned, while it might be considered that the motivation for their involvement in the partnership approach is fairly unequivocal – a desire to help those in need – talking of the voluntary sector as a whole disguises differences between the organizations within the sector. Although there was no evidence of this in the Taunton case, other studies (Hutson and Liddiard 1994; Oldman 1997) have pointed to inter-agency rivalry where there is competition for limited funds. Tensions may also arise over differences in approach – for example, the extent an individual is considered responsible for their situation – and in the nature of an organization's response to homelessness – for example whether they simply react to the situation in hand, through, for instance, the provision of overnight accommodation, or whether they are more concerned to prevent homelessness occurring in the first place.

Perhaps the most complex motivational influence was that of TDBC, whose officers and members were positioned so as to attempt to balance the needs and demands of a number of different constituencies – including local electorates, businesses and people in need. However, although the council leader stated a belief that the Six Point Plan 'gets the balance between caring and the need to ensure a viable and prosperous town centre just right', it is perhaps not overly cynical to regard the council's pursuit of an inter-agency/partnership approach in tackling the problems of the town centre, as being primarily financially driven. Indeed, at the Inter-Agency Meeting, the Borough Housing Officer spoke of 'maximizing existing resources' and, having highlighted the constraints on public expenditure stated, 'it is therefore imperative that we make the best use of existing

provision and services and *hence* the encouragement of this inter-agency network approach'.

The Council is also under pressure from the public and business community to show that something is being done to address the problems of the town centre and to counter claims in the press that they are taking no action to resolve the situation. There is thus a political dimension to their response with the failure to achieve a satisfactory solution liable to lead to a loss of public support. As a correspondent to the SCG warned,

if Jefferson Horsley [the council leader] really believes by-laws about dogs on leads coupled with sanctimonious platitudes are in any way an adequate response from the Deane Council leader to an extremely serious and growing problem facing Taunton, then the sooner his party makes way for an alternative administration willing and able to take decisive and positive action the better (SCG 6 June 1997).

PARTNERSHIP: INCLUSION AND EXCLUSION

It should also be recorded that key individuals and groups were absent from the Inter-Agency Meeting, and hence from the partnership process. In particular, despite being the focus of discussion, homeless people and beggars were not present at the meeting and it was left to workers from agencies such as Taunton Association for the Homeless and Open Door to represent their interests and speak on their behalf. This emphasizes their position as 'other' with the exclusion of homeless and other vulnerable people from mainstream society reflected and indeed reinforced through their exclusion from the political process. Barriers are consequently strengthened when, it could be argued, the opportunity provided by such meetings for 'engaging with the other, what bell hooks calls repositioning, might lead to understanding, a rejection of stereotype and a lesser concern with threats to the boundary of community' (Sibley 1995, p. 29). In addition, it could be argued that such exclusion may lead to an incomplete or inadequate understanding of the needs and requirements of homeless people and consequently may result in inappropriate strategies for dealing with the problems.

Having said that, excluding homeless people themselves from the partnership process is not necessarily wholly disadvantageous. As Sibley (1995, p. 29) warns, there are drawbacks if contact with 'the other' is only partial or brief and limited engagement or superficial encounters, 'might result in the presumption of knowledge which could be more dangerous than ignorance, if this were in the province of state bureaucracies or academia'. In addition, the voluntary agencies lend a degree of respectability to the issue of homelessness which perhaps ensures a greater receptiveness, especially among a conservative audience, to the views and needs of homeless people than they themselves would be able to achieve.

In terms of other 'groups' who were missing from the Inter-Agency Meet-

ing, although all the participants at the meeting were members of the public, each were there representing a specific organization and there was no-one who was there simply as a resident of Taunton and/or a town centre user. Yet, the 'public' also need to be part of the partnership approach. As the Director of Taunton Association for the Homeless pointed out, in an article in the SCG, 'continued multi-agency work between voluntary and paid agencies in the Deane will produce results *if* supported by public support and understanding' (SCG 9 May 1997) (emphasis added). Furthermore, it is implicit in this kind of claim that one of the key roles for public managers within the new policy networks of governance by partnership is to represent 'the public', and to arbitrate on their behalf. Of course there is no such thing as the 'general public' in the sense of a homogenous mass of people with shared aims and ideas. However, elected local politicians and their employee 'public servants' do seem to exercise their positional power within networks at least partially on the grounds of being able to represent the public electorate. However, the role of arbitration is made significantly more difficult when other 'partners' also make strong claims to represent 'the public'. In Taunton, this challenge came from some members of the business community who spoke on the homelessness issue 'on behalf of' their customers. For example, the manager of the local Marks and Spencers speaking at the Inter-Agency Meeting stated 'In a sense, Marks and Spencers can claim to represent a constituency of 25,000 people a week, all of whom have legitimate views about the environs of the town centre'. However, he gives no indication of what, if any, research has been carried out to establish these views and consequently it is at least questionable as to how far he can claim to represent public opinion.

Partnership will be characterized not only by who is included and excluded, but also by the power of particular voices over others. The management of the Inter-Agency Meeting seemed to reflect a model example of the partnership process at work. Seats were arranged in circular form and, following an introduction from the Chairman, contributions were invited on a 'round-the-table' basis. Yet this deliberate spatial configuration belied a clear hierarchy of power. While ostensibly about partnership it very soon became clear that some interests were more powerful than others. In particular, this applied to the dominance of business concerns in the debate – even though, in numerical terms agency representatives far outweighed those from the business community.

The primacy accorded to business interests was evident from the outset of attempts to tackle the problems in the town centre. Despite requiring the involvement of a whole host of organizations, a meeting of the Council's Policy Committee (3 October 1996) a few days after the Six Point Initiative was drawn up, recommended that the proposals, 'be passed onto the Taunton Town Centre Partnership for comments and endorsement with suitable action and funding being made available through both the council and the Town Centre Partnership itself.' Consultation with other bodies and, in

particular voluntary agencies in the town was limited and on a more informal basis. This is not perhaps surprising given the Council's dependency on the business community, particularly in the light of constraints on public expenditure. Right from the beginning of discussions, the Town Centre Partnership were accorded a degree of financial responsibility for the programme to deal with the problems in the town centre as apparent from the minutes of the meeting of the Policy Committee (3 October 1996) which recorded: 'Clearly ownership must be shared with the Town Centre Partnership who if they approve the thrust would be expected to pick up some of the costs'. It can be concluded, therefore, that the membership, agenda, business and outcomes of the 'partnership' network were controlled perhaps implicitly, but often more openly, by the objectives and willingness-to-act of this powerful business lobby.

In Taunton, as elsewhere, local traders constitute a powerful lobby force, with the economic well-being of the town and its citizens resting upon the jobs and direct financial support they provide. This is a lever which companies have proved themselves willing to use. For example, speaking at the Inter-Agency Meeting, the manager of Marks and Spencers, referring to pressure to move out of town seemed to make a veiled threat to withdraw from Taunton and suggested continuing investment was incumbent upon action to address the problems, commenting, 'Marks and Spencer are investing millions in Taunton but expect a return'. Consequently, the council is reliant on the approval of the business community before embarking on a course of action, but has less need to take account of the opinions of the voluntary agencies who have no financial hold over the council and little or no power to exercise in order to ensure that their voices are heard.

DISCURSIVE INCOMPATIBILITIES

To some extent presenting a division of interest between the business community – who seek to protect trade in the town centre – and the voluntary agencies – whose concerns are more geared towards the needs of the beggars and homeless people identified as the cause of the town's problems – is something of an artificial distinction. These two objectives are not incompatible and both groups seek, albeit for different reasons, to end homelessness and begging on the streets. Nevertheless, the different priorities and motivations of the business community and the voluntary agencies, are reflected in the very different discourses of homelessness which they promote. While the business community tend to see the people involved *as* problems, the voluntary agencies are much more likely to see them as people *with* problems. This is not simply a semantic distinction but has an effect on the type of approach and strategies adopted to deal with the situation in the town centre. The presence of incompatible discourses was highlighted most graphically at the Inter-Agency Meeting in discussions of plans to conduct a survey of homelessness and begging. Both the council, and representatives of the business community, underplayed the ethical

issues and complexities involved in conducting such a survey and struggled to understand concerns of the agencies, expressed most forcefully by workers from Shelter, Taunton Association for the Homeless and *The Big Issue* with regard to the use to which information might be put once it was in the public domain and its potential to be used as political ammunition. Although a considerable amount of time was spent at the Inter-Agency Meeting discussing the matter, it is salient to note that the minutes of the meeting prepared by the TDBC do not record, even in passing, the reservations of the agencies with regard to the survey, perhaps reflecting the lack of recognition of the importance of ethical issues and the legitimacy of the concerns expressed. (An alternative reading is that omission of the discussion from the minutes was less an oversight so much as a conscious attempt to gloss over what were, at the time, quite heated differences of opinion.)

The discursive distance between the commercial and the voluntary sector was also apparent in their different reaction to some of the measures proposed by the council to deal with homelessness and begging in the town centre. In particular, plans to implement a 'diverted giving scheme', whereby shoppers place donations for 'the homeless' in collection boxes placed in stores rather than giving money to people on the street, were strongly supported by representatives from the Town Centre Partnership. In contrast, a number of the voluntary organizations expressed their suspicion and reservations about such a scheme with the most vehement opposition coming from representatives from *The Big Issue* who were concerned about homeless people being 'further' stigmatized and alienated. Despite such opposition a diverted giving scheme in Taunton was launched at the end of June 1997. Although it is too early as yet to assess its effect, the fact that a collection for the local dogs home outside ASDA for a day raised £700, while Taunton Association for the Homeless did the same and collected only £80 perhaps raises doubts about the fund-raising potential of the scheme.

THE OUTCOMES OF PARTNERSHIP

After the Inter-Agency Meeting in 1996, there was a commitment from the council to hold a further meeting in a year's time 'to review the position at that time and to consider what developments have occurred in the intervening period' (TDBC minutes). The council suggested that some of the organizations who attended the meeting would continue to meet in the meantime, 'with a view to maximising existing resources and developing new initiatives where this proves possible', and this suggestion permits some interesting interpretation of how inter-agency partnership is being constructed by the public managers concerned. The Inter-Agency Meeting was convened to 'deal with' a situation which had become increasingly the focus of public debate. The local authority was unable to solve the 'problem' from its own resources, and within its own powers, yet the situation had

to be addressed as the various shades of public opinion were being stirred up by the discursive output of the local press. Therefore the seeking of 'partnership' between a wide range of interests and agencies provided a clear way forward, and the roles of bringing together these interests and seeming to arbitrate between them, presented a key role for the authority and its officers and members. However, this partnership soon highlighted irresolvable discursive and resource-related differences amongst the 'partners'. In particular, the very different objectives of 'clearing the streets' and resourcing existing and new initiatives to house homeless people, meant that business had to be controlled into *manageable* areas rather than being allowed to escalate into arenas where expectations from partners could not be met. Therefore, public managers acted to limit the scope of business, and to engineer manageable outcomes that could still be presented discursively as 'addressing the issue'.

These limitations led to two main outcomes. First, the meeting led to the creation of a directory of agencies, which provided a brief summary of the work of each of the organizations represented. Such information is essential to the success of a partnership approach. An awareness of the existence and remit of other organizations can lead to more effective and efficient provision both by preventing an unnecessary duplication of services and by facilitating the referral of clients to the organization best able to meet their needs. In addition, such a directory provides the opportunity for contacts to be established and may enable different organizations with similar concerns to come together to lobby for policy changes and financial support.

However, the main outcome ('the substantive commitment') of the Inter-Agency Meeting as the minutes record, 'was an agreement to prepare a survey of the people who are on the street'. As the meeting progressed, it was fairly obvious that the council had a clear idea of what it wanted to achieve from the meeting, namely a survey carried out by the voluntary sector with minimal, if any, local authority funding, to which end a sub-group was established. Subsequent meetings of this group once again highlighted the differences between the different bodies involved and the consequent difficulties encountered in pursuing a partnership approach. Representatives from the voluntary agencies voiced the reservations they had expressed previously regarding the purpose of the survey and to what use the information would be put, and restated their concern not to alienate the people they were trying to assist. While the council officers present argued that the survey was not intended to stigmatize homeless people, they were at something of a loss to explain exactly *why* a survey was required. As a result, the idea of conducting a survey of homelessness was eventually (after several meetings) abandoned in favour of carrying out a simple count of the number of people on the streets as the basis for a bid to obtain funds under the government's Rough Sleepers Initiative, with any further information required by TDBC being supplied by the voluntary

agencies present, so long as this would not breach their codes of confidentiality or infringe the rights and privacy of their clients.

The restricted nature of these outcomes is perhaps understandable. TDBC seemed very committed to a partnership approach, but resource constraints limited their ability to provide directly for homeless and other vulnerable people. Therefore, at the Inter-Agency Meeting, the Borough Housing Officer noted that expenditure constraints and a shortage of affordable accommodation meant that priority was given to households with children and 'concern for the single homeless has to take its place within those priorities'. While the council acknowledged at an early stage that, 'development of a multi-agency programme towards reducing homelessness would be extremely resource intensive' and that 'extra funding would be required, possibly for additional staff' this appears not to have been forthcoming. Indeed, the two principal providers of support for homeless people in Taunton – Taunton Association for the Homeless, and Open Door – have struggled to maintain their current levels of service, and have both faced financial problems sufficiently severe to have to contemplate cutbacks or even closure.

The lack of financial support from TDBC and the business sector for voluntary agencies dealing with homelessness provides a significant indicator of the limitations of their commitment to partnership. These 'loudest voices' are clearly pursuing their own goals through the partnership approach. If partnership is a sharing of interests, risks and resources – collaboration of players on the same side of the game – then the Taunton partnership has made relatively few gains. Indeed it could be argued that participation in partnership has allowed the most powerful and loudest voices to continue to (re)construct discourses of homelessness which are principally motivated by self-interest and profit. In other words, partnership has provided a further platform within which exclusionary social practices are legitimized discursively while the parties concerned can wear the clothes of reason and collaboration. Within unequal partnerships such as this, it is much more difficult to deconstruct the discursive power of 'loud voice' groups.

A letter to the SCG sums up this dilemma: 'If we allow people motivated by profit to sanitise, normalise and regulate our society we will, by our inaction, support their spiteful tricks. After they have handed in the poor and the unlucky, who will be next? Answer: anyone they cannot see commercial value in' (SCG 4 October 1996). This is not as exaggerated or sensationalist a conclusion as it might at first sound. The latest controversy to embroil Taunton's town centre revolves around the objection of a number of traders to a scheme to improve access for people with disabilities by creating a paved strip across an area of cobbled pathway in the centre of the town, on the grounds that it will disrupt pedestrian flow and that the £16,000 cost 'would be far better spent on ridding the town of the various beggars and vagrants who continue to pollute the streets' (SCG 13 June 1997). Attitudes to homeless people and those with disabilities are linked

in this apparent desire to remove anyone from the town centre who does not conform to a particular brand of 'normality'. As the Press Officer for Somerset Coalition of Disabled People writes, in a letter to the SCG, 'we can see that some traders have extended their definition of undesirables (from homeless people) to include disabled people' and echoes the warning issued by the previous correspondent with his concluding question 'who will these people want to exclude next?' (SCG 20 June 1997).

CONCLUSIONS

Under the 'New Labour' government, the political air is thick with talk of 'partnership', and as a broad political discourse, partnership is clearly being characterized as being about inclusion in a stake-holding society, with pluralist visions about who 'has a say' and who 'takes part' in the running of the country. The Taunton case clearly suggests that partnership requires investment of human and capital resources from its participants in order to be successful. Voluntary agencies dealing with homelessness in Taunton face a continual struggle to survive, and are certainly not in a position to deal with gaps in existing provision – for example, the lack of a 'wet' hostel in the town for those with drug/alcohol addictions. The partnership of government, business and voluntary agencies has resulted in little change to this situation. Thus, although not denying the potential benefits of pursuing a partnership approach, our conclusion is there is a danger that such an approach becomes a way of devolving responsibility and side-stepping the financial and other support necessary to deal with problems as well as a useful way of avoiding blame when things, as frequently happens where complex issues are involved, do not go according to plan.

In Taunton, despite the apparent concern to tackle the problems in the town centre and 'help the homeless', the rhetoric of partnership has not been backed up by concrete measures and direct action to provide any real improvements to the lives of the 'beggars, vagrants and drunks' who have become such a public concern. Although, there may be work going on behind the scenes and informal contacts between the local authority and various different organizations, in the more formal and public/publicized arena, the council's decision to adopt a partnership approach can be seen to be as much motivated by a desire to limit calls on spending and deflect public criticism as an urge to work together to tackle the problems identified. (It should be noted, however, that more recently the council has adopted a much more positive and constructive approach towards dealing with homelessness with the launch of a 'Single Homelessness Strategy' in which the council aims to work together with voluntary agencies to identify gaps in provision and reach agreement on future priorities 'for the benefit of vulnerable single people'.)

Evidence from this study of 'partnership' in Taunton throws interesting light on more general discussions of how policy networks and partnerships operate at the local level. Partnership in Taunton was clearly managed at

the outset by agents within the local authority who enrolled particular participants, set the agenda, scheduled the business and manoeuvred the outcomes. This is not to say that council members and officers were solely concerned to manipulate partnership for their own ends, or were unsympathetic to the issue of responding to the needs of homeless people. However, their actions were underpinned by a requirement that local government needs to be forging new roles for itself in an era of dwindling powers of direct investment. One principal role is that of brokering partnerships. Not only does this permit a public image of councils being active in addressing issues, but it also provides an arena for highly motivated individuals to seek out new ways of getting things done within environments of resource constraint. It is, however, the central role of *broker* which permits local authorities their impression of continued focal importance in new forms of governance.

However 'honest' the brokerage is, it will inevitably be influenced both by pre-existing discursive characterization of 'issues', and by unevenness in the distribution of resources and regulatory powers which can be brought into partnerships. In Taunton, key discursive narratives of homelessness, which conflate social need with the perceived street behaviours of 'beggars, vagrants and drunks', had already been established in local cultural circulations, notably the local press. These representations were not accidental. Rather they had been persistently peddled by particular interests in the town such as key business leaders and some elected politicians. Partnership does not start with a clean discursive sheet. The representational battle had to a large extent already been won, as the 'issue' was perceived as the 'town centre problem' rather than as the social problems experienced by homeless people. As we have pointed out, responses to these issues are by no means incompatible, but their conflation into a single homelessness problem dominated by images of 'beggars, vagrants and drunks' established an agenda which was very difficult to deconstruct within a partnership framework. This is particularly so since the power of threat, resource and regulatory control was so unevenly distributed within the new policy network. Voluntary partners were already fully stretched, and sought ways in which their action could be enhanced with further funding. They had little power of veto or threat. Business partners on the other hand, were seeking to protect their profitability, and carried considerable 'threat' in terms of grave predictions for the outcome of the local economy if the 'problem' was not dealt with. Such weighty matters were clearly influential in any political evaluation of the issue. Moreover, the available powers of regulatory control could also be used to support the business case. Put simply, begging, vagrancy and drunkenness can be deemed as unlawful; homelessness cannot.

There was little evidence, then, of some partners being willing to relinquish control or resources in order to fulfil the aspirations of other partners. Indeed, the reasons for joining this particular policy network seemed

mostly to revolve around maximizing what could be gained from that membership. Neither is there evidence that new discursive representations were developed as a result of partnership. The two 'sides' to the issue of homelessness showed little sign of mutual attraction, harmony, or even respect, and dominant discourses stemmed from dominance outside of the partnership rather than from negotiation within. The exercise of social relations of partnership, then, did not seem to result in new forms of power, and the attempts by local authority brokers to 'hold everyone together' were not able to redefine these social relations. Where partners come together to bid competitively for new external resources (for example from central government or the EU) then it is possible to foresee new forms of social relations and consequent new forms of power emerging from partnership in policy networks. Where, however, partnership merely involves attempts to repackage existing resources, it seems unlikely that it will fulfil some of the more optimistic claims for a more pluralist and post-Fordist form of governance in the local arena.

ACKNOWLEDGEMENT

The authors gratefully acknowledge the financial support of the ESRC for their research on 'The Homeless Poor In Rural Areas' (R000236567) in which they investigate the hiddenness of rural homelessness and the movements of homeless people through and between rural and urban spaces.

REFERENCES

- Bassett, K. 1996 'Partnerships, business elites in urban politics: new forms of governance in an English city?', *Urban Studies* 33, 539–55
- Blasi, G. 1990 'Social policy and social science research on homelessness', *Journal of Social Issues* 46, 207–29
- Bramley, G. 1994 *Homelessness in rural England – statistical update to 1992/3*. London: Rural Development Commission.
- Button, E. 1992 *Rural housing for youth*. London: Centrepoint
- Cloke, P. 1995 'Rural poverty and the welfare state: a discursive transformation in Britain and the USA', *Environment and Planning A* 72, 433–49
- (ed.). 1992 *Policy and change in Thatcher's Britain*. Oxford: Pergamon.
- Cloke, P., M. Goodwin, P. Milbourne and C. Thomas. 1995 'Deprivation, poverty and marginalisation in rural lifestyles in England and Wales', *Journal of Rural Studies* 11, 351–65
- Cloke, P. and J. Little (eds.) 1997 *Contested countryside cultures: otherness, marginalisation and rurality*. London: Routledge
- Cloke, P. and P. Milbourne. 1992 'Deprivation and lifestyles in rural Wales II: rurality and the cultural dimension', *Journal of Rural Studies* 8, 360–74
- Cloke, P., P. Milbourne and C. Thomas. 1997. Living lives in different ways? Deprivation, marginalisation and changing lifestyles in rural England, *Transactions IBG* 22, 210–30
- Cloke, P., P. Milbourne and R. Widdowfield. 1999 'Rural homelessness: out of place in purified space?' *Society and Space* (forthcoming)
- Daly, G. 1996. *Homeless: policies, strategies and lives on the streets*. London: Routledge
- Department of the Environment. 1994. *Access to local authority and housing association tenancies: a consultation paper*. London: DOE
- 1996 *Rough sleepers initiative: the next challenge*. London: DOE.

- Fitchen, J. 1991. 'Homelessness in rural places: perspectives from upstate New York', *Urban Anthropology* 20, 177-210
- 1992 'On the edge of homelessness: rural poverty and housing insecurity', *Rural Sociology* 57, 173-93.
- Ford, J., D. Quilgars, R. Burrows and N. Pleace 1997. *Young people and housing*. Salisbury: Rural Development Commission.
- Fox, C. and H. Miller. 1995 *Post-modern public administration. towards discourse*. London: Sage
- Goodwin, M. 1998 'The governance of rural areas: some emerging research issues and agendas', *Journal of Rural Studies* 14, 5-12
- Goodwin, M. and J. Painter. 1996 'Local governance, Fordism and the changing geographies of regulation', *Transactions, IBG* 21, 635-49.
- Hutson, S. and M. Liddiard. 1994. *Youth homelessness: the construction of a social issue*. London: Macmillan
- Jessop, B. 1995. 'The regulation approach, governance and post-Fordism', *Economy and Society* 24, 307-34.
- . 1997. 'A Neo-Gramscian approach to the regulation of urban regimes. accumulation strategies, hegemonic projects and governance', in M. Laura (ed.), *Reconstructing urban regime theory*. London: Sage
- Judge, D., G. Stoker and H. Wolman (eds.). 1995 *Theories of urban politics*. London: Sage
- Lambert, C., S. Jeffers, P. Burton and G. Bramley 1992 *Homelessness in rural areas*. London: Rural Development Commission
- Lawrence, M. 1995. 'Rural homelessness: a geography without a geography', *Journal of Rural Studies* 11, 297-308.
- Lowe, S. 1997. 'Homelessness and the law', in R. Burrows, N. Pleace and D. Quilgars *Homelessness and social policy*. London: Routledge.
- Mayer, M. 1994 'Post-Fordist city politics' In A. Amin (ed.), *Post-Fordism a reader*. Oxford: Blackwell.
- Murdoch, J. and S. Abram. 1998. 'Defining the limits of community governance', *Journal of Rural Studies* 14, 41-50
- Oldman, C. 1997 'Working together to help homeless people: an examination of inter-agency themes', in R. Burrows, N. Pleace and D. Quilgars *Homelessness and social policy*. London: Routledge
- Rhodes, R. 1996 'The new governance. governing without government', *Political Studies* 44, 652-67
- . 1997. *Understanding governance: policy networks, governance, reflexivity and accountability*. Buckingham: Open University Press.
- Rose, N. 1996. 'The death of the social? Re-figuring the territory of government', *Economy and Society* 25, 327-56
- Scott, D., N. Shenton and B. Healey 1991 *Hidden deprivation in the countryside*. Peak Park Trust, Buxton
- Sibley, D. 1995. *Geographies of exclusion: society and difference in the West*. London: Routledge.
- Stoker, G. 1996. 'Governance as theory: five propositions'. Mimeo: Department of Government, University of Strathclyde.
- . 1997a 'Public-private partnerships and urban governance', in G. Stoker (ed.), *Partners in urban governance: European and American experience*. London: Macmillan.
- (ed.) 1997b. *Partners in urban governance: European and American experience*. London: Macmillan
- Walmer T. 1989. 'Families with "no place to go" on rise', *USA Today* 12 Dec
- Ward, N. and K. McNicholas. 1998. 'Reconfiguring rural development in the UK: objective 5B and the new rural governance', *Journal of Rural Studies* 14, 27-39.
- Watson, S. 1984 'Definitions of homelessness: a feminist perspective', *Critical Social Policy* 11, 4, 60-73
- Watson, S. and H. Austerberry 1986 *Housing and homelessness. a feminist perspective*. London: Routledge and Kegan Paul.
- Webb, S. 1994. *My address is not my home: hidden homelessness and single women in Scotland*. Edinburgh: Scottish Council for Single Homeless
- Wilson, A. 1992 *The culture of nature*. Oxford: Blackwell.
- Woods, M. 1998. 'Advocating rurality? The repositioning of rural local government', *Journal of Rural Studies* 14, 13-26
- Woodward, R. 1996 '"Deprivation" and "the rural": an investigation into contradictory discourses', *Journal of Rural Studies* 12, 55-67
- Wright, J. and R. Everitt. 1995. *Homelessness in Boston Sleaford: Shelter Lincolnshire*

Date received 23 February 1999. Date accepted 11 May 1999.

Journal of Contingencies and Crisis Management

Edited by Uriel Rosenthal and Alexander Kouzmin

The *Journal of Contingencies and Crisis Management* is an invaluable source of information on all aspects of contingency planning, scenario analysis and crisis management in both corporate and public sectors. It focuses on the opportunities and threats facing organizations and presents analysis and case studies of crisis prevention, crisis planning, recovery and turnaround management. With contributions from world-wide sources including corporations, governmental agencies, think tanks and influential academics, this publication provides a vital platform for the exchange of strategic and operational experience, information and knowledge.

Journal of Contingencies and Crisis Management ISSN: 0966-0879. Volume 8 (2000) contains 4 issues.

A library subscription to the print volume entitles readers to:

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk



BLACKWELL
P u b l i s h e r s

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

EUROPEAN FORUM

A COMPARATIVE PERSPECTIVE ON EXECUTIVE DEVELOPMENT: TRENDS IN 11 EUROPEAN COUNTRIES

MOSHE MAOR

Senior officials in public organizations have a variety of training needs. Yet, the reduction in training budget is often a primary means of improving budget balance. This contradiction calls for a comparative investigation into executive development. Focusing on eleven European administrative systems, the paper investigates (i) whether bureaucracies lead the way, or lag behind, in the development of specialized training programmes, (ii) whether there is a widespread understanding that specific topics are important for training, and (iii) whether senior officials vary in their perception of the usefulness of training for current posts and for promotion. Based on an institutional analysis, a mail survey and élite interviews with senior civil servants, the paper advances a three-fold argument. First, bureaucracies lead the way in the development of specialized training programmes. Second, senior officials want to prepare themselves for items of importance in the near-term future (for example the European Union), as well as to cover as many remote possibilities as they can (for example with management training) in the hope they will do better in any post, even though they cannot now predict what those posts will require of them. Third, although some types of executive development programmes turn out to work well, numerous others do not. The latter, however, are not always a waste of money because they are sometimes used as places to temporarily 'store' people or to 'get rid of people' that an individual agency does not want to have around anymore.

INTRODUCTION

Senior officials in public organizations have a variety of training needs that will vary according to whether they are about to assume a new position,

Moshe Maor is an Associate Professor in the Department of Political Science at The Hebrew University of Jerusalem.

Public Administration Vol. 78, No. 1, 2000 (135–152)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

need to acquire an understanding of a new environment, have been in a position for some time and want to refine their skills, or are seeking to refresh and enrich their management abilities. At the same time, the view generally held by political executives and sometimes even by public officials is that job training should be considered as costs rather than an investment. Consequently, in times of severe budgetary constraints, reductions in training become a primary means of improving the budget balance. This contradiction calls for a comparative investigation into the job training of senior civil servants, or what is commonly known as executive development. It refers to off-the-job training (i.e. undertaken outside the specific day-to-day environment of the trainee) which concerns senior officials' improvement (*perfectionnement* or *Weiterbildung*), as well as preparation for the competitive examinations necessary for promotion to senior posts.

Considering that it is such an important topic, executive development has been rather neglected by students of public administration. Most studies are descriptive and country-specific with only a few exceptions (IIAP 1993; Ziller 1993; Bodiguel 1994; Zanghi 1994; Jabes and McCorkick 1994). These studies explore the reactive nature of the training function in most administrative systems, the poor integration of training programmes with overall human resource management programmes, the inability of training managers to assume a strategic management role in addressing organizational problems (for example changing competence needs) and, in some countries (France, for example), the absence of any higher civil service policy on training in general, and executive development in particular (Rouban 1997). Consequently, training programmes often focus on developing skills in response to *ad hoc* challenges rather than revolving around the continued career development of public servants in light of the ongoing problems of organization performance. This implies that the real question of executive development in public organizations should be whether it helps public officials function more effectively and enables, therefore, their organizations to function more effectively. An analysis of executive development in eleven European countries is a step towards bridging this lacuna.

To encompass this complex phenomenon, the paper raises three questions: (i) whether bureaucracies lead the way, or lag behind, in the development of specialized training programmes; (ii) whether there is a widespread understanding that specific topics are important for training, and (iii) whether senior officials vary in their perception of the usefulness of training for current post and for promotion. The analysis covers the UK, Norway, Denmark, Germany, The Netherlands, Italy, Austria, Spain, France, Sweden and Finland. The methodology employed combines an institutional analysis, a mail-survey and elite interviews with senior civil servants. The rationale for the selection of these administrative systems lies in their contrasting institutional features, which are explored in part III, and the implications

in terms of the probability for the emergence of a coherent philosophy of executive development.

The paper advances a three-fold argument. First, bureaucracies lead the way in the development of specialized training programmes. Complex work requirements that call for workers trained in specialized technologies and for managers who can cope with complex internal systems and external environments facilitate the emergence of similar executive development programmes across administrative systems. The desire to increase conformity (hence, social control) through the diffusion of a managerial ideology furthermore explains the expansion of similar executive development programmes aimed at producing a cultural change at senior levels. Second, senior officials want to prepare themselves for items of importance in the near-term future. EU-related topics are a classic example of such items. Most senior officials do not know if their posts in the near future will get them 'into' such matters. Yet, because they are aware of the possibility, they welcome this subject. Similarly, 'management' is such an umbrella term. New senior officials want to cover as many remote possibilities as they can in the hope they will do better in any post, even though they cannot now predict what those posts will require of them. Third, recognizing the strong limitations connected to survey data dealing with individual perceptions about job promotion and the relation of training to it, although some types of executive development programmes turn out to work well, others do not. The latter, however, are not always a waste of money because they are sometimes used as places to temporarily 'store' people or to 'get rid of people' that an individual agency does not want to have around anymore.

The paper has five parts. Part I introduces the methodology. Part II introduces the variation in the structure of training for senior civil servants in the countries selected. Parts III and IV explore senior officials' training experience by tapping the major subject of executive development and its usefulness for current and future posts. Part V explains the findings, discusses ways to cope with the problems identified, and explores the subsequent directions that should underlie future actions by practitioners.

THE DATA

The findings reported in this article derive from three sources of data collected in the aforementioned administrative systems: (1) an institutional analysis of training practices which covers the 1970–1995 period; (2) a structured mail-survey undertaken during the 1994–1996 period, and administered, following a pre-test, to senior civil servants located between the director general and the section heads in three cabinet ministries, namely agriculture, health and transport (N = 1078) (The rationale for the selection of these departments lies in the variations in their exposure to European integration – an important influencing factor of the training agenda. Agriculture would experience a much higher degree of exposure to the forces of European integration than Health, with Transport in an

intermediate position); and (3) personal in-depth interviews in English conducted from late 1995 to late 1996 with senior civil servants ($N = 133$). No interviews were conducted in Sweden, Finland and Spain. Interviews in France were conducted by Howard Machin and Alan Guyomarch of the LSE.

THE INSTITUTIONAL VARIATION

Executive development programmes in public organizations can be understood only in the context of the public service for which they were put in place. Regarding the need for job training, the British civil service may be contrasted with the French, German, and Austrian civil services. In Britain, public service has been conceived, since the second half of the nineteenth century, as a job for a generalist (i.e. individuals are selected for top roles largely on the basis of general intellectual abilities and performance in higher education). Consequently, professional training has been considered necessary for promotion. In contrast, public service in France, Germany and Austria has been conceived since the eighteenth century (nineteenth century in Austria) as a specific career (for example jurist). Long-term additional professional training has therefore been considered unnecessary (Page 1992; Silberman 1993; Braunerder 1992; Peters 1995).

Regarding the structure of executive development, Italian senior officials, for example, are absent from policy formulation in return for their posts being guaranteed by political executives (Cassese 1994, 1997; D'Orta 1994, p. 193). This, in turn, explains why only half of the ministries have structured training programmes for their senior personnel, and why training reforms during the 1980s were neither sanctioned nor implemented. Another example is the Scandinavian countries where the structure of central administration explains the variation in the creation of training units at either governmental or ministerial levels. The absence of such units in Sweden and Finland may be partially explained by the dualism prevailing in the administrative structure; the central administration is performed by the offices of both the ministries and independent administrative agencies. By contrast, in Norway and Denmark whose state administration is built on a strict pattern of ministerial government, units co-ordinating administrative training are placed under specific ministries (Andrén 1964; Lundquist 1988).

Despite the aforementioned differences, students of public administration have noticed considerable similarities when analysing provisions of executive development programmes for senior officials in modern bureaucracies. The following four features underlie administrative training in modern bureaucracies: (i) delegation of responsibilities for the formulation of executive development policy to units which may be either attached to a ministry which is exclusively in charge of the public service (Spain, France, Italy, The UK, Norway) or integrated within a ministry with larger responsibilities (Germany, Austria, The Netherlands, Sweden, Finland); (ii) delegation of

responsibilities for the implementation of executive development policy to ministries (France, Italy, Germany, Austria, The Netherlands, The UK, Denmark, Norway, Finland, Sweden) which in some cases further delegate responsibilities to line managers (The UK, Denmark, Norway, Sweden, Finland, The Netherlands); (iii) executive development philosophy revolving around the necessity for a continuous adaptation of senior officials to a changing environment; and (iv) the maintenance of strong links between central governments and training institutions. The last two features deserve more elaboration.

Regarding executive development philosophy, aside from the general focus of senior officials' adaptation to changes in tasks and in the environment, there are country-specific aims (IIAP 1993; Ziller 1993; Bodiguel 1994). In the Netherlands executive development aims essentially at fighting ministerial compartmentalization; in France training for career shifts aims to facilitate flexibility both for individuals and ministries; and in Germany to provide a new culture and modern methods to civil servants from the East. In Italy executive development aims at facilitating a change in administrative culture towards customer service and transparency (*Presidenza del Consiglio dei Ministri* 1994, p. 7). In Spain executive development has been thought of as the best tool to prepare officials for the widespread administrative reforms initiated after joining the EU. In the UK the aims are to develop the managerial and professional skills amongst civil servants and promote best practice throughout government both in management and in key professional areas. Similarly in Denmark, Norway, Finland and Sweden, besides an emphasis on managerial and professional skills, much weight is given to the development of leadership (i.e. human-relations) skills.

Regarding the strong links between government authorities and training institutes, the impetus behind setting up the infrastructure for executive development at central-government level often came from a central public authority (for example prime minister, ministry for the civil service and ministry of finance). These links are manifest in varying ways. In France the *Ecole Nationale d'Administration* (ENA) is responsible to the Prime Minister who delegates it to the Minister of Public Service, whereas in Spain, the *Instituto Nacional de Administración Pública* (INAP) is accountable to the Ministry of Public Administration. In Germany, the *Bundesakademie für Öffentliche Verwaltung* is answerable to the Federal Ministry of the Interior; in Italy, the *Scuola Superiore della Pubblica Amministrazione* (SSPA) is answerable to the Presidency of the Council of Ministers; in Austria, the *Verwaltungsakademie des Bundes* is responsible to the Federal Chancellery; in Denmark, Norway and Finland, the main training institutes (i.e. the Danish School of Public Administration (DSPA), *Statskonsult*, and the Finnish Institute for Public Management) are public enterprises regulated and steered by the respective parliaments, and board members in these institutes are nominated by the government and are accountable to a ministry.

Only in the Netherlands is the main training institute – the *ROI Opleiding-instituut voor de Rijksoverheid* – a privatized training institution which maintains strong ties with the Ministry of Interior, its main shareholder (Zanghi 1994). The requirement to cover costs in the competitive market is also shared by the British Civil Service College which is answerable to the Office of Public Service and Sciences (OPSS) within the Cabinet Office, but is free to determine the content of executive development courses it offers (Maor and Stevens 1997).

Executive development infrastructure varies also over the actors involved in the provision of training. In the UK, the Netherlands and Finland the system is increasingly competitive; ministries are free to buy training services from public and private providers. The Civil Service College provides only about 30 per cent of training for staff at grade 7 and above (Stevens 1995). In the Netherlands, besides ROI there are other public training schools managed by universities or private institutions, such as The Netherlands School of Government, a joint venture between the Universities of Rotterdam and Leiden. In Finland and Norway, ministries are free to buy services from the Finnish Institute of Public Management and *Statskonsult*, respectively, as well as from three universities and the main trades unions (*Statskonsult* 1997; Eriksen 1993; Alam and Kiviniemi 1996). In Denmark, ministries may buy training from either the DSPA, and the DJØF – the union representing lawyers, economists and political scientists – which is a major player in the executive development market.

Executive development in France, Spain, Germany and Italy is largely undertaken within the public sphere, although sporadic intervention of private institutions providing language and IT courses may exist. In France, besides ENA, training courses are offered by the Ministry of Finance, the *Direction Générale de l'Administration et de la Fonction Publique* (DGAFFP), the *Institut des Hautes Etudes de la Défense Nationale* (IHEDN), *Institut Français des Sciences Administratives* (IFSA), the *Institut International de l'Administration Publique* (IIAP), and the *Paris Institut d'Etudes Politiques* (Guyomarch 1996). In Italy, besides the SSPA which administered some of the courses jointly with *FORMEZ-CENTRO*, the Ministries of Finance, Foreign Affairs and Interior have their own training schools. In Spain, training schools exist for the Ministry of Foreign Affairs, and for the Ministry of Finance. In Germany, besides the Federal Academy, certain federal ministries operate their own training agencies (for example the Federal Academy of Finance, the Federal Academy of Military Administration and Technology, and the Ministry for Foreign Affairs). In Austria, the federal training institution (*Verwaltungsakademie des Bundes*) operates together with the *Europaakademie*, which was established within the framework of the former but with its own academic staff and building (Philippi 1995). Executive development varies also over its link to access to senior posts. Of the countries examined, only in Italy and Spain are officials in charge of promotion formally obliged to take the training record of candidates into account. In Italy, at the end of

a nine-month course at the SSPA, participants have to present a thesis and pass a written and oral exam and, according to their performance, are assigned positions in the various ministries. In Spain, a certificate of attendance in a INAP course is taken into account when promotions are considered for a position requiring the competence acquired in the course. Participants are not graded in these courses since no evaluation is provided (Zanghi 1994; *Ministerio para las Administraciones Públicas* 1995).

The Netherlands manifests such a link over ministry-specific rather than management training, but not in such an explicit manner as the aforementioned countries. A career in a particular branch of government requires skills which are becoming manifest as public officials change jobs across ministries. Consequently, 'almost every government department has an introductory course [...] for new higher officials' (van der Meer and Raadschelders 1997, p. 23).

Although attendance in a specific training course is required for all new entrants to senior posts in the UK and Germany, the requirement is a mere formality that must be fulfilled; promotion decisions do not take into account the official's performance in the courses taken. In Britain, a six-week residential course – the Top Management Programme – is compulsory for all new entrants to the senior civil service (formerly, the senior open structure). In Germany, section assistants promoted to section head are required in certain ministries to complete successfully the F1 course which introduces over a period of four weeks leadership and managerial skills (*Bundesakademie für öffentliche Verwaltung* 1995).

In the other administrative systems there is only an indirect link, or none at all, between training and promotion. In France, a one-year programme (one and a half days a week) at ENA is offered on a voluntary basis for an employee appointed to a position of deputy-director (*sous directeur*). In addition, there are two other promotion channels: the discretionary appointment and the annual appraisal-and-promotion-list procedure, which do not impose training requirements. Similarly, in Finland, Denmark, Norway and Sweden there is no obligation for officials to participate in management or other courses before or after appointment. In Finland, as all appointments are made in an open competition, the government has decided that the appointing authority has to ensure that in appointments to posts with managerial duties, management and leadership skills must be observed (Letter dated 27 March 1998 by Jaakko Kuusela, Managing Director, The Finnish Institute of Public Management). In Denmark, steps towards compulsory training have so far been met with a negative reaction from the unions, who fear it would affect the salaries of those who have not completed it. In Norway, officials are expected to attend management courses before promotion to the senior ranks. Finally, in Austria, training for promotion from grade B to A lasts three terms of four months each, and is voluntary.

The analysis so far focuses on the dimensions which distinguish systems

of executive developments in public bureaucracies. This variation is crucial because executive development agenda and usefulness for current and future posts may be different in states where strategic responsibility for training is vested in ministries as opposed to a centralized training unit, or in states where training is a condition for promotion as opposed to voluntary provision, or in states where executive development is job-related (that is, covering aspects related to the specific tasks to be executed in the officials' present job and the specific context within which these tasks are executed) as opposed to general training, or in states where the official's performance in training is linked to the position allocated as opposed to such links being absent. The following sections examine whether indeed the aforementioned variation matters with regard to executive development agenda and usefulness for current and future posts.

THE EXECUTIVE DEVELOPMENT AGENDA

The survey asked senior officials to identify the major topic of their executive development programmes. The findings – shown in table 1 – suggest that more than a quarter of senior officials who responded to the questionnaire attended courses on EU institutions and legislation. Record attendance by Swedish (52 per cent), Finnish (68 per cent), and to a lesser extent, Austrian (34 per cent) officials is explained as preparation of officials for EU membership which started in 1995. Around a quarter of the respondents attended management courses in Britain, Germany, France, the Netherlands, Austria and Norway. Lower rates of attendance were recorded in Spain (15 per cent) and Denmark (16 per cent). General courses covering political and administrative matters were highly popular in Italy (35 per cent) and Denmark (20 per cent).

The dominance of management and EU matters on the training agenda of senior officials can be easily explained. On the demand side, senior officials want to prepare themselves for items of importance in the near-term future. EU-related topics are a classic example of such items. Most senior officials do not know if their posts in the near future will get them 'into' such matters. Yet, because they acknowledge the possibility, they welcome this subject. Similarly, 'management' is such an umbrella term. New senior officials want to cover as many remote possibilities as they can in the hope they will do better in any post, even though they cannot now predict what those posts will require of them.

On the supply side, three arguments could be advanced to explain the similarity of training agenda in the countries examined. First, New Public Management (NPM) and EU pressures have had some impact upon the eleven administrative systems examined, since their elements can be detected to varying degrees in most them. Executive development policy set at a public-service or ministerial level is a sensitive indicator of these pressures; senior staff responsible for training will be among the first to feel them and respond. They will need to train staff in NPM techniques

TABLE 1 *Major subject for executive development (%)*

Subject	UK	Ger.	Fra.	Ita.	Sp.	Neth.	Aus.	Den.	Nor.	Fin.	Swe.
EU matters	21	34	22	29	38	27	34	28	27	68	52
Management	25	21	26	8	15	34	36	16	25	3	4
Political/administrative	18	12	6	35	8	6	7	20	13	8	5
Financial/economic	7	13	9	5	8	3	4	16	3	5	11
Information technology	4	5	8	5	8	2	4	-	4	2	-
Languages	7	1	7	-	2	3	9	8	7	6	12
Legal matters	8	2	5	5	3	1	2	8	3	-	3
Others*	11	12	19	13	20	23	5	4	18	8	14
Total**	101	100	102	100	102	99	101	100	100	100	101
N	59	155	106	62	66	221	56	25	68	63	104

* 'Others' refer to technical and profession-specific training.

** Total percentage is more or less than 100 due to the rounding of figures.

and ensure an adequate supply of staff able to negotiate successfully with administrators from other countries and operate effectively within an environment increasingly conditioned by EU policies. Consequently, executive development provision reflects the professional requirements of the 'client' administrative units.

The second argument is based on the premise that training is used by top administrative élites to disseminate beliefs and (management) ideologies so that, over time, these beliefs and values will be taken for granted in modern organizations. As such ideologies are diffused, training spreads throughout public organizations above and beyond the immediate impact of causal factors unique to the particular organizational setting. Thus recruitment creates the professional ideology sought by the top administrative élites, while executive development is another mechanism to imbue administrative staff with such ideologies and beliefs (Scott and Meyer 1994). This view implies that, in the structural conflict of interests between employers and employees anchored in administrative power, training experts will have to identify themselves with the general management and the goals of the organization to be able to exercise any influence (Watson 1977, p. 201).

The third argument assumes that executive development is a form of education. In the modern state training not only transforms competent officials into very competent officials by broadening their understanding of their roles, but also creates and validates the leadership in a ministry and its sub-units. Senior officials' cultural knowledge is enhanced by executive development programmes; in some systems leadership positions are defined and legitimated by training, and officials are allocated senior positions based on training attainments. Although certain administrative positions are open to all, senior jobs are differentially allocated. University training often legitimates the former; specialized and restricted executive development programmes legitimates the latter. In this light, training experts would be required to design top management and fast-stream programmes to differentiate those who successfully complete them from those who do not qualify to attend.

To sum up, the data suggest that bureaucracies lead the way in the development of specialized training programmes. Complex work requirements that call for workers trained in specialized technologies and for managers who can cope with complex internal systems and external environments facilitate the emergence of similar executive development programmes across administrative systems. The desire to increase conformity (hence social control) through the diffusion of a certain ideology (for example management) furthermore explains the expansion of similar training programmes aimed at producing a cultural change at senior levels across the countries under investigation.

THE USEFULNESS OF EXECUTIVE DEVELOPMENT: OFFICIALS' VIEWS

Before turning to the analysis the reader should recognize the strong limitations connected to survey data dealing with individual perceptions about job promotion and the relation of training to it. Executive development is a very nuanced phenomenon, and a survey aimed at capturing this phenomenon is rather a blunt instrument. One caveat is that training programmes are sometimes used not to broaden the understanding of the roles of those already selected for higher office, but as places to temporarily 'store' people or to 'get rid of people' that an individual agency does not want to have around any more. In this case, some of those sent off to executive development courses are considered organizational failures who will not get prized 'senior' appointments. Another caveat is that in some cases, agencies use a technique borrowed from industry, 'assessment centres', usually operated by outside consultants to decide which people are to be promoted, which not to be promoted and which to be terminated (for example, the US Internal Revenue Service). In this case, there would be no link between training and promotion.

Even if individual assessments of one's prospects for promotion (or more importantly actual influence on promotion) were the relevant criterion to examine for a cost-benefit analysis (of training), job training is but one influence of many likely to affect one's prospects for promotion. The fact that so many civil servants in most of the countries do receive some form of executive development diminishes the likelihood of training as a discriminating variable in accounting for individual promotions.

In the survey officials were asked whether a period of off-the-job training would assist them in their current posts and whether a period of academic education or off-the-job training would help them to be promoted to the next level (these results are analysed in detail in Maor 1997, 1999a, 1999b, 1999c; Maor and Jones 1998). The answers are striking for the latter part of the question, and rather similar for all administrative systems examined. Table 2 shows that, on the usefulness of training for the current post, around 60 per cent and more of the respondents in the UK, Germany, France, Austria and Denmark responded negatively. By contrast around 60 per cent of senior officials in Italy, Spain, the Netherlands and Finland thought that a period of training helped them carry out their current tasks. How can this variation be explained?

Spain, Italy and the Netherlands – unlike the other administrative systems examined – maintain a close link between skills acquired during training or the candidate's performance on the course, on the one hand, and the job allocated to civil servants, on the other. Although training has appeal in a period of downsizing and cutbacks (for example, at least for expanding horizons), in these administrative systems, training has been designed to prepare a public official for his or her line of career in a particular branch

TABLE 2 *Usefulness of executive development programmes for current posts (%)**

	UK	Ger.	Fra	Ita.	Sp.	Neth.	Aus.	Den.	Nor.	Fin.	Swe.
Yes	21	10	20	42	30	36	24	11	22	29	29
Probably	18	22	18	22	27	26	14	7	24	31	20
Perhaps	26	26	35	18	29	23	25	29	36	22	33
No	32	41	26	14	13	12	35	50	16	8	16
Don't know	3	2	1	3	1	3	1	4	2	10	3
Total (%)**	100	101	100	99	100	100	99	101	100	100	101
N	271	125	77	97	84	141	71	28	50	51	70

* Q. Would a period of in-service training help you in your present post?

** Total percentage is more or less than 100 because of rounding of the figures.

of government and in a particular position. Ministries, which are well aware of the context and/or the position within which their officials will be placed, have striven to sharpen the necessary skills. Subsequently, officials have been provided with precisely the training needed to execute current tasks.

The result recorded in Finland can be explained by the overwhelming impact of EU membership on all branches of government (i.e. as a result of the country's size), and thus, on most civil servants. This influence has manifested itself by the drive to attend training courses to prepare for membership. As shown in table 1, an unparalleled 68 per cent of Finnish senior officials who responded mentioned they attended courses on EU affairs. EU skills provided by training, such as Eurocratic skills (i.e. knowledge of EU institutions), Euro-languages and Euro-staff management (i.e. at least one year's experience of working in or with the EU), are essential to prepare senior officials for a career in EU-related branches of government, meaning all branches of government.

Regarding the usefulness of executive development for promotion, an overwhelming majority in all the eleven administrative systems examined thought that executive development or a period of academic education would not help them to be promoted to their next post (see table 3). As noted earlier, the survey results should be treated cautiously. However, the modest argument which can be advanced is that, however mutable the likelihood of training as a discriminating variable in accounting for individual promotion is, although some types of training turn out to work well, numerous others do not.

Although executive development is perceived by many senior officials as rarely useful for the execution of current and future posts, this does not mean that training for senior officials is doomed to fail. One has to recognize that if senior officials are attending executive development programmes, perhaps just as they become 'senior officials', they have already established themselves as worthy of 'senior' appointments. The executive development programmes are designed solely to broaden their understanding of their roles. Because officials have already compiled records of outstanding performance, 'curve grading' or other pernicious forms of evaluation should not be permitted to tarnish careers built over a long time span. Hence emphasis on the connection of training with performance evaluation and promotion should not be encouraged.

IMPLICATIONS

An organization's success is ensured only when employees can acquire the competencies and expertise needed to work effectively. The question which arises is what do we need to do to distinguish between types of training that work well and those which are a waste of money? An immediate answer would probably be to question senior officials as to their most preferred training subjects. This argument is consistent with efforts made by

TABLE 3 *Usefulness of executive development programmes for promotion (%)**

	UK	Ger.	Fra.	Ita.	Sp.	Neth.	Aus.	Den.	Nor.	Fin	Swe.
Yes	6	2	1	9	2	11	1	-	9	8	6
Probably	7	3	8	13	5	16	11	12	11	18	21
Perhaps	20	11	13	19	19	32	18	19	30	31	26
No	66	83	75	58	73	39	63	65	43	37	38
Don't know	1	1	3	3	1	3	6	4	6	6	10
Total (%)**	100	100	100	102	100	101	99	100	99	100	101
N	270	126	77	80	84	142	71	26	53	51	72

* Q. Would a period of in-service training or academic education help you to be promoted to your next post?

** Total percentage is more or less than 100 because of rounding of the figures.

personnel agencies in Italy and Denmark to question all public employees on which training areas they deemed to be the most important over the next few years (*Presidenza del Consiglio dei Ministri* 1994, pp. 21–2; Nordhaug 1993); the requirement (in Britain and Austria) and the norm (in all other countries examined) that training needs have to be considered regularly in the context of each official's annual report or become an integral part of an annual performance assessment talk between superior and employee; the setting up of ministries' own training centres, such as in the French Ministry of Finance; the creation of centres which provide centralized training specializing in particular areas, such as the French Centre for European Studies, the Austrian *Europaakademie*, and the Finnish Institute of Public Management; and, the establishment of ministries' in-house programmes. In addition, in most countries examined we recorded an obligation to cover training costs from a ministry's own resources, which has kept courses sharply focused on customer requirements. However, surveying public officials cannot, and probably would not, guarantee the ability to distinguish between types of executive development programmes that work well and those which do not. A substantial reason for this lies in the (high) probability that public officials would follow 'training fashions' – which nowadays highlight the importance of 'generic skills'. Suffice to mention the analysis of informal consultations with 500 Canadian officials which concluded that, to be successful in the public service career of the future, employees should have access to training in skills which include a client-centered orientation (for example empathy and sensitivity), an openness to technology, communication skills, personal attributes (for example a sense of humour and motivation to learn), principles and values (for example loyalty and honesty), self-management skills (for example priority setting and career management); teamwork skills, logic and creativity (Advisory Committee on the Workforce of the Future 1997).

To ensure that employees can acquire the competencies and expertise needed to work effectively, problems inherent in the institutional system which are supposed to act upon employees and employers' preferences must be addressed, for example the lack of resources and commitment for inter-ministerial co-ordination of executive development policy. Although significant amounts of executive development do occur, most efforts are spotty, uncoordinated and result from the initiatives of individual ministries or employees (Bodiguel 1994, p. 126; *Presidenza del Consiglio dei Ministri* 1994, p. 42). The policy fixation on cost control is given as a major reason for this shortcoming. Once training programmes are considered as costs rather than as investments, in times of budget cuts executive development costs become an easy and primary means for improving the budget situation. However, one cannot attribute organizational failures solely to cost reductions because the lack of co-ordination of executive development policy reflects how poorly training programmes are integrated within overall human resource management programmes. Training units' officials rarely

assume, or are permitted to assume, a strategic management role in addressing organizational problems presented by workforce demographics and changing competence needs. The majority of executive development is oriented to address individual skill gaps rather than organizational problems. Consequently, there is no comprehensive, service-wide reassessment of training needs and requirements.

With the implementation of each of the aforementioned strategies, one would be able to distinguish between types of executive development that work well and those which are a waste of money, and devise training solutions which would be effectively implemented. Certainly, attempts conducted so far in the countries under investigation which had hoped to make a bigger difference, as the evidence shows, did not. Without the recognition that a reform of executive development must address the aforementioned problems, designing an executive development framework which helps officials function more effectively and so enables their organizations to function more effectively, will be difficult.

ACKNOWLEDGEMENT

The data used here were originally collected during the project 'Converging Administrative Systems' which was funded by the ESRC (Project No. R000235266). The article benefited greatly from the comments and criticism of Bert Rockman, George Jones, Howard Machin, Ira Sharkansky and the anonymous reviewers. Only the author can be held responsible for the analysis and interpretations presented here.

REFERENCES

- Advisory Committee on the Workforce of the Future. 1997. *Valuing our people: The Report of the Advisory Committee on the Workforce of the Future*. Ottawa: Government of Canada
- Alam, Manzoor and Markku Kiviniemi. 1996 'Finland', in David Farnham, Sylvia Horton, John Barlow and Annie Hondeghem (eds.), *New public managers in Europe: public servants in transition*. London: Macmillan
- Andrén, Nils, 1964. *Government and politics in the Nordic countries*. Stockholm: Almqvist & Wiksell
- Bawn, Kathleen, 1995. 'Political control versus expertise: congressional choices about administrative procedures,' *American Political Science Review* 89, 1, 62-73
- Bodiguel, Jean-Luc. 1994. *Les fonctions publiques dans l'Europe des douze*. Paris: LGDJ
- Borins, F. Stanford. 1995. 'Public sector innovation: the implications of new forms of organization and work,' pp 260-87, in B. Guy Peters and Donald J. Savoie (eds.), *Governance in Changing Environment*. Montreal and Kingston: McGill-Queen's University Press
- Brauneder, Wilhelm. 1992. 'History of the structure of general administration in Austria', pp 35-72, in Federal Chancellery (ed.), *Public Administration in Austria*. Vienna: Federal Chancellery.
- Bundesakademie für öffentliche Verwaltung (BAKOV). 1995. *Jahresprogramm*. Bonn: Salzland
- Cassese, Sabino. 1994. 'Il sistema amministrativo italiano, ovvero l'arte di arrangiarsi', pp. 11-18, in Sabino Cassese and Claudio Franchini (eds.), *L'amministrazione pubblica italiana: un profilo*. Bologna: Il Mulino
- . 1997. 'Italy's senior civil service: a crystallized world.' Paper delivered at the Conference on The Role of Senior Officials in a Service State, Nuffield College, Oxford, March
- D'Orta, Carlo. 1994. 'La Riforma Della Dirigenza: Dalla Sovrapposizione alla Distinzione fra politica e Amministrazione?', *Rivista Trimestrale di Diritto Pubblico* 1, 151-208.
- Eriksen, Bjarne. 1993. *Hovedlinjene i Statskonsults (Rasjonaliseringsdirektoratets) Utvikling fra Opprettelsen i 1948 og Fram til i Dag*. Oslo: Statskonsult

- Gore, Albert, J. 1993 *Creating a government that works better and costs less: Report of the National Performance Review*. New York: Times Books.
- Guyomarch, Alain. 1996 'Recruitment and training in France', *European Institute Working Paper*. London: The London School of Economics and Political Science.
- Institut Internationale d'Administration Publique (IIAP). 1993. *La Formation en cours d'emploi des agents de l'état – recherche comparative*. Paris: IIAP.
- Jabes, Jak and Stephen McCorkick (eds.). 1994 *The education and training of public servants*. Proceedings from the first summer seminar held in Portoroz, Slovenia, Aug-Sept, Bratislava. The Network of Institutes and Schools of Public Administration in Central and Eastern Europe.
- Lane, Larry M. and James F. Wolf. 1990. *The human resource crisis in the public sector*. New York: Quorum Books.
- Lundquist, Lennart. 1988. 'A comparative overview,' pp. 157–70, in Donald C. Rowat (ed.), *Public administration in developed democracies: a comparative study*. New York: Marcel Dekker.
- Maor, Moshe. 1997. 'The impact of European integration and NPM on recruitment and training of senior public officials: a methodology', *Current Politics and Economics of Europe* 7, 1, 59–81.
- . 1999a 'Recruitment and training of senior civil servants in Denmark and Norway, 1970–1995: the impact of new public management and European integration', *Current Politics and Economics of Europe* 8, 4, 321–40.
- . 1999b. 'Recruitment and training of senior civil servants in Germany and the UK, 1970–1995: the impact of new public management and European integration', *Current Politics and Economics of Europe*, 8, 4, 341–55.
- . 1999c 'The paradox of managerialism', *Public Administration Review*, 59, 1, 5–18.
- Maor, Moshe and Handley Stevens. 1997 'The impact of new public management and European integration on recruitment and training in the UK civil service, 1970–1995', *Public Administration*, 75, 3, 531–51.
- Maor, Moshe and G.W. Jones. 1998. 'Varieties of administrative convergence', *The International Journal of Public Sector Management* 12, 1, 49–62.
- Meer, Frits M. van der and Jos C.N. Raadschelders. 1997. 'The senior civil service in the Netherlands: a fragmented unity.' Paper delivered at the Conference on The Role of Senior Officials in a Service State, Nuffield College, Oxford, March 1997.
- Ministerio para las Administraciones Públicas, 1995 *Modernización y Cambio en las Administraciones Públicas: La Misión del INAP*. Documentos INAP No 2. Madrid: Instituto Nacional de Administración Pública.
- Newell, Terry. 1987. 'Human resources wasted in government? Who's counting?', *International Journal of Public Administration* 10, 4, 367–94.
- Nordhaug, Odd. 1993 *Personalledelse og Kompetanseutvikling i Staten*. Oslo: Administrasjonsdepartementet.
- Page, Edward C. 1992. *Political authority and bureaucratic power: a comparative analysis*. Hemel Hempstead: Harvester Wheatsheaf.
- Peters, B. Guy. 1995. *The politics of bureaucracy*. New York: Longman.
- Philippi, Theresa. 1995 'The preparation of Austria for its accession to the European Union with respect to constitutional and administrative reforms' EIPASCOPE No 1, pp. 15–17. Maastricht: European Institute of Public Administration.
- Presidenza del Consiglio dei Ministri. 1994 *La Formazione Nelle Pubbliche Amministrazioni Centrali*. Roma: Dipartimento per la Funzione Pubblica.
- Rouban, Luc. 1997. 'The senior civil service in France', Paper delivered at the Conference on The Role of Senior Officials in a Service State, Nuffield College, Oxford.
- Scott, Richard W. and John W. Meyer. 1994. 'The rise of training programs in firms and agencies: an institutional perspective', pp. 228–54, in Richard W. Scott and John W. Meyer (eds.), *Institutional environments and organizations: structural complexity and individualism*. California, Thousand Oaks: Sage.
- Silberman, Bernard, S. 1993 *Cages of reason: the rise of the rational state in France, Japan, the United States, and Great Britain*. Chicago: The University of Chicago Press.
- Statkonsult – Directorate of Public Management. 1997 'A brief introduction to Statkonsult: its tasks and roles in Norwegian Administrative Policy.' Paper delivered in the XIV International Congress on Training and Development of Senior Civil Servants. Oslo, June.

- Stevens, Handley 1995. 'Recruitment and training in the United Kingdom.' *European Institute Working Paper* London: The London School of Economics and Political Science.
- Watson, Tony J 1977 *The personnel managers* London: Routledge & Kegan Paul
- Zanghi, Claudio 1994. *Comparative analysis of civil service training schools*. Maastricht: European Institute of Public Administration.
- Ziller, Jacque 1993. *Administrations comparées: les systèmes politico-administratifs de l'Europe des Douze* Paris, Montchrestien.

Date received 27 July 1999. Date accepted 14 October 1999.

EXPLORING CONTRACTS AS REINVENTED INSTITUTIONS IN THE DANISH PUBLIC SECTOR

CARSTEN GREVE

Contracts have been on the agenda in public sector reform in most OECD countries. In Denmark, contracts have been considered as one of the most important tools in reorganizing the public sector. The article examines the implementation of contract agencies in central government in Denmark during the 1990s. First, a review of contractual theory distinguishes between 'hard' and 'soft' contracting. Second, recent developments in contracting in Denmark are examined, and three phases of contract agencies are identified. Contracts have been supported by other tools for reporting on performance like annual reports. Third, it is argued that Denmark has put co-operation and negotiation before more strict management and control. The Danish experience can be seen as an alternative to the principal-agent model. The article finishes by discussing the pros and cons of the Danish approach, and suggests that although the pragmatic approach has merits, it may lead to problems in the future concerning the credibility of the whole project.

INTRODUCTION

Contracts are by now an integral part of reform of public sector organizations. A contract can be viewed as the founding element of an agreement between otherwise diverse interests. Contract agencies have a long record in the UK (Greer 1994). Local governments also contract with voluntary organizations and private firms for delivery of goods and services in what has been called 'the contract state' or the 'enabling state' (Deakin and Walsh 1996). Although fears have been raised about the 'hollowing out of the state' (Millward, Provan and Else 1992; Rhodes 1997, ch. 5), the contracting agenda has caught on in many governments.

In Denmark, contracts have been celebrated as one of the most important tools used to reorganize the public sector. There were 52 contract agencies in central government in Denmark in 1998 (Økonomistyrelsen 1999, p. 33) with more agencies promised for the coming years. Danish contract agencies mix suggestions from the principal-agent framework with a conventional theoretical approach that builds on trust and mutual dependency. The Danish experience has been hailed as unique in three aspects by a Belgian professor in an OECD report (Drumaux 1997): (i) the involvement of the Ministry of Finance in setting up the contracts, (ii) the attempt to measure complex tasks like administrative matters, not deemed suitable for

Carsten Greve is an Assistant Professor at the Institute of Political Science, University of Copenhagen.

contracting in many other countries, and (iii) the evaluative culture surrounding the contract experience that led Drumaux to talk of 'an exemplary administrative process'.

The aim of this article is to explore the Danish experience with contract agencies in order to find out whether the innovative claims, identified by Drumaux, have been sustained in light of recent empirical evidence. The second aim is to place contracts in the wider context of new governance tools that the Danish government is pursuing.

First, the article sketches an analytical framework, drawing on recent contractual theory. Second, the Danish reform with contract agencies in the 1990s are presented in three distinctive phases. Third, the Danish experience is discussed, initially with relation to criteria on contracts in isolation from other factors, and then in terms of wider efforts for public sector reform.

THEORIES OF CONTRACTS

This section will briefly review the discussion on the merits of contracts in the public sector. The kind of theoretical status assigned to contracts becomes important in the further examination of empirical contracts (Jenkinson and Mayer 1996). Contracts serve as institutions for settling expectations and rewards linked to the performance of certain functions. They are set up to tackle the problem of asymmetric information. Contracts vary and can come in many forms. Normally contracts are written documents signed by the parties. However, they do not have to be written; even an oral agreement counts as a contract in some circumstances (Gomard 1996). They may have attachments with various reservations. They may be standardized or tailor-made. They may be long, detailed or short.

While contracts have been studied from a legal perspective, there has been a growing interest in recent years in economic approaches to organization, both in the transaction cost framework (Williamson 1985), and from agency theory point of view (Jensen and Meckling 1976). In public administration, contracts have been studied as part of the new public management (Walsh 1995). A recent challenge to the economic approach comes from socio-legal studies (Campbell and Vincent-Jones (eds.) 1996), building on earlier work in sociology and law.

Two approaches to the study of contracts will be examined: (1) a 'hard', formal and juridical contract, and (2) a 'soft' contract aimed at making actors enter a reasoned dialogue. The idea of a hard and a soft notion of a contract is pervasive in the literature.

Hard contracting

The 'hard' contract is what the lay person will refer to when asked to describe what a contract is. In the classical and neo-classical version, a contract is an agreement between two parties concerning a change of goods or services which is enforceable by the law. The parties to the contract are

expected to behave in a utilitarian and self-regarding way. Actors may pursue their own happiness, 'even to the point of taking advantage of the ignorance and vulnerability of the other party, in order to drive a hard bargain' (Brownsword 1996, p. 14). Contracts are here impersonal and sanctionable. The purpose of the contract is 'to allocate risks, responsibilities and rewards precisely between the parties to the contract' (Walsh *et al.* 1996, p. 213). The neo-classical contracts have certain implications. First, the behavioural assumptions are that the parties can hide information and cheat when they have got a chance. Secondly, the contract should be designed to cover all eventualities. And thirdly, the sanctions or rewards should be easy to invoke, and effective in their impact. For a public manager considering using a contract in the neo-classical version, this means: Consider your opposite number! Cover all contingencies in your contract! Have credible sanctions ready at hand and be willing to use them! Although the neo-classical version of a contract may be consistent with the lay person's understanding, the model has been discredited in later contract theory (Gomard 1996).

Principal-agent relations have been prominent in recent discussions on contracts. The argument in agency theory is familiar by now. A principal wants the agent to perform a task, but the agent and the principal are said to have divergent interests. The agent has no incentive to reveal all knowledge of how a task can be performed (the problem of 'hidden information'), nor can the principal be expected to actually control all of the agent's behaviour (the problem of 'hidden action'). Agency theory is used for optimizing the principal's possibility for motivating an agent to perform a given task via sanctions and rewards, and the theory has been influential in the well-known reforms in New Zealand (Boston 1996).

Soft contracting

Employing both theoretical and practical arguments, socio-legal research shows that contracts in real-life are not drawn up and enacted in the neo-classical manner, or in the manner suggested by agency theory (Campell and Vincent-Jones 1996). In much contracting, co-operation, not conflict is the name of the game. Relational contracting is a concept for understanding the processes of the contracting institution.

Two basic points drive the argument. First, it is impossible in most cases to cover all contingencies in a contract. Contracts must be left open to some interpretation by the parties and a third party. Second, contracting takes place between parties interested in medium- or long-term relationships. When two parties have to deal regularly with each other, an understanding may arise between them, and they begin to co-operate rather than fear each other.

Soft contracting focuses on co-operation as the guiding principle of contracts. Co-operation can have multiple sources. Co-operation is inherent in the contract itself in the concept of 'good faith' when entering a contract

(Gomard 1996). A premise in contract law is the freedom to agree to a contract. A contract should be a voluntary agreement, and not be forced on one person by the other. There should be mutual consent, and if a person has signed a contract whilst being under threat or pressure of some kind, a contract can be judged illegal by the courts.

The basis for co-operation can have at least three theoretical foundations (Brownsword 1996). First is the communitarian approach that good faith and social relationships are the binding factor of human relations. This sociological background to the co-operational contract can be traced to Durkheim's claim that 'in a contract not everything is contractual' (quoted from Hodgson 1988, p. 157). Following Durkheim, Hodgson points out that there are rules and norms in society on which contracting relies, but which is not specified in a concrete contract. Society's norms are important for the working and implementation of any formal rule (Scott 1995).

The second argument for co-operation comes from the game-theoretic approach that states that co-operation maximizes the utility of both parties. The third theoretical basis is the moral philosophy of a Kantian variety, also found in the Rawls' 'veil of ignorance' argument.

It should be added that transaction costs (costs connected to drafting, negotiating and controlling a contract) must be considered as well as production costs (Williamson 1985). For example, if a tour operator controls a number of buses, the following transaction costs would apply (Busch 1993, p. 289): telephone bills and stamps to keep in contact with the bus company, one person employed to be responsible for co-ordinating activities, one person employed to check and control the bus companies, costs associated with restoration of services if a bus company fails to deliver the promised service, investments in costly computer equipment to keep in contact with the buses when they are driving. Williamson's argument concerns governance structures rather than asymmetric information problems so it is less relevant for contract agencies than for contracting out policy.

Summing up

Contracts come both in a hard version and a soft version. Perhaps an empirical contract contains elements of both. The point is that different aspects of contracts should be noted. Also, contracts must be negotiated at certain intervals. From a public administration perspective, it should be noted that there has to be enough personnel and capacity of knowledge to manage contracts.

CONTRACTS IN DANISH PUBLIC SECTOR REFORM

This section traces the experience with contracts in the Danish public sector in the 1990s. Contracts are now inherent in all levels of government. The 'contract variety' consists of contract agencies, directors' contracts, development contracts used for innovative experiments between government

agencies and private companies, office contracts, personal performance contracts and external contracts for contracting out.

This section concentrates on internal contracts for relations between departments and agencies, contract agencies. A contract agency is an agency in a government department. Its tasks are specified, and performance indicators are set up. The contracts are then left to run for two to four years when they are renegotiated. The material used in this article consists of official reports, evaluations and statistics from the Danish government, the Danish Office of the Auditor General of Denmark, and academic assessments. The development can be separated into three distinctive phases: (i) establishments of contract agencies from 1991–1993, (ii) development of the concept of contract as a governance tool 1994–1997, and (iii) a phase linking contract agencies with other governance tools from 1998 onwards. In all phases, the following factors are examined: The nature of the contracts, the role of the Ministry of Finance, relations between departments and agencies, evaluations, and the link to other governance tools.

Phase 1: Establishing contract agencies

In 1992, the first nine contract agencies were set up in the central government. They were originally called 'free agencies' by the then Conservative–Liberal coalition government, but the name was changed into 'contract agencies' when the Social Democratic-led coalition government took office in 1993. Around twenty contract agencies existed in 1994. The organizations covered various functions such as the Patent Office, Research Library, and The National Board of Industrial Injuries. Targets were set, both quantitative and qualitative. The National Board of Injuries were supposed to increase productivity and reduce the number of appeals made. The National Museum had to increase the number of visitors. The Research Library had to increase the number of books lent out to researchers.

A contract was usually meant to last two to four years. It had a number of requirements, but things went wrong, and objectives were not met. The Ministry of Finance helped formulate the contracts, and also had a say in picking which should be the first contract agencies. A number of pro-active agencies were chosen to be contract agencies. These agencies had already shown indications of success. There was a deliberate attempt to create 'success-stories' from the very beginning (Christensen, Ytting and Jensen, 1999, p. 264). The Ministry of Finance hailed the contract management project as fitting into the normal Danish approach to reform: make a pilot-project first and see how it goes, then make a decision whether to implement on a large scale afterwards (Pedersen, Sørensen and Vestergaard 1997). Departments' relations with agencies were influenced by the fact that the Ministry of Finance provided a so-called 'budget guarantee' that hindered cut-backs for the duration of the contract.

The project with contract agencies has been described and reviewed officially by the Ministry of Finance (Finansministeriet 1995, 1996). The

reports found that the agencies had fulfilled their contracts, strengthened information to customers, improved the dialogue between departments and agencies (creating networks of contacts between employees), made change of agency priorities possible and developed new tools for measuring performance. Problems identified were finding the suitable agencies, as not all agencies' tasks can be measured, and that the process of making the contracts themselves puts strain on departmental resources. An independent academic review found that departments had not been very active in contract negotiations. The initiative to formulate contracts came from agencies, not departments (Thaarup 1995). Targets were set too low so that instant success was secured. Contracts were seen as a salvation, singled out to be the dominant governance tool of the 1990s, and hailed as such by the Social Democratic Minister of Finance himself, Mr Mogens Lykketoft.

Phase 2: Developing contracts as governance tools

From 1995, the contract agency idea spread across central government. By the end of 1997, there were 42 contract agencies, more than double the number in 1993. New organizations included the Danish Immigration Service and The Directorate for the Unemployment Insurance Scheme. The duration of the contracts was more diverse. Some organizations signed one-year contracts while others agreed on 'rolling contracts' that are adjusted continuously. Most contracts last three years.

The Ministry of Finance pulled out of their budget guarantee. The Ministry of Finance instead adopted a more consultative role, and continued to publish guidelines and reports on the whole project. The responsibility was laid in the hands of the newly formed Accounting Directorate within the Ministry of Finance. The Accounting Directorate signed its own contract with the Ministry of Finance, making the ministry taste its own medicine.

Individual government departments now assumed a more responsible role towards contract agencies after the Ministry of Finance pulled out of their original engagement. It is doubtful how much of the initiative came to rest with the department. Evidence suggests that the main initiatives still came from the agencies when a new contract needed to be formulated (Christensen, Ytting and Jensen 1999). A culture of negotiation prevailed where goals were formulated as part of the on-going exchange of views between departments and agencies. The Ministry for Culture held highly successful annual meetings between the department and various agencies where the conditions for the following years' contracts were debated. The Ministry for Culture is one of the top-scorers with nine contract agencies.

Experience in the second phase was included in the thorough evaluation that the Office of the Auditor General of Denmark (Statsrevisorerne 1998) conducted in the spring of 1998. The Auditor General had a number of critiques of the implementation process, although his office remained supportive of the concept of contract agencies.

The Office of the Auditor General of Denmark both compared contract

agencies from the first phase (first-generation contracts) with contracts agreed in the second phase (second-generation contracts). They also compared the performance of contract agencies with similar agencies not covered by a contract. This is an interesting development in light of the difficulty in finding candidates for comparative cases within each country's central government organization.

For first-generation contracts, the Office of the Auditor General of Denmark found that 9 out of 14 agencies had met their objectives. Only one agency reached 100 per cent of the agreed targets. However, a number of important tasks in the agencies were not specified in clear objectives. And not all measures were specified as objectives, but were called 'areas of initiative' that made the evaluation difficult. On average, contracts consisted of seven specific objectives that had to be met.

For second-generation contracts, the picture was different. The number of specific objectives had risen from 7 to 28. However, many of these objectives were not quantifiable, a fact that the Auditor General noted with regret. As a result, the second-generation contracts were harder to evaluate than first-generation contracts. There was also a fall in percentage of agencies that included specific productivity gains in their contract compared to the first-generation contracts.

The most interesting finding is the comparison between 16 contract agencies and 16 ordinary agencies (that is, agencies without a contract). Out of 16 agencies with second-generation contracts, nine had an increase in their activity that was higher than their costs. The average rise in productivity for contract agencies was 9.3 per cent per year while agencies without contracts had a 3.3 per cent rise in productivity per year. Most contract agencies mentioned contracts as one of several reasons why productivity has risen.

The conclusion the Office of the Auditor General of Denmark draws is that contracts have contributed to a positive development in productivity within central government organizations (Statsrevisorerne 1998, p. 45). However, there are two kinds of criticisms from the Office of the Auditor General of Denmark. The first criticism is that the share of quantifiable objectives had fallen in second-generation contracts, making measurement of productivity difficult. The second critique is that the link between objectives and budgetary conditions is too weak.

The Ministry of Finance, the Ministry of Health, and the Ministry for Culture expressed concern that contracts should not be judged by legal/juridical criteria of whether targets below 100 per cent were seen as administrative failures. A contract is a means of quality improvement, not a bureaucratic instrument for keeping exact records. Furthermore, the Ministry of Finance thinks the link to budget allocations should only be of an informative kind, and not a condition for budgetary expenditure.

Summing up, the second phase has been supportive of the experiment with contract agencies. The exchange of views between a reform-oriented

Ministry of Finance, and a scrutinizing Office of the Auditor General of Denmark should not be interpreted too seriously as both favour contract agencies.

Phase 3: Linking contracts to other governance tools

Recent figures tell us that 52 organizations had a contract by the end of 1998 (Økonomistyrelsen 1999). In September 1999, the number exceeded 90 agencies according to news on the Accounting Directorate's database (www.oes.dk). The concept was by then declared a success. Other types of contracts followed, notably directors' contracts which linked directors' performances to the performance of their organization.

There is now a variety in how long the contracts last. Some last for three years while other contracts are 'rolling contracts'. In 1998, the Ministry of Finance wanted to regain some of the control that it had lost to individual government departments. The Ministry of Finance had earlier pulled out of the direct interference in contracts because of the lack of a budgetary guarantee. In the second phase, the department and the agency were left to themselves to negotiate the contract. In the third phase, the Ministry of Finance thought that the control of the reform was slipping out of their hands, and into the normal negotiation process between departments and agencies. The Ministry of Finance had to think of a device that linked contracts with a more ambitious strategy for reporting the performance.

In 1997, the concept of annual reports, or 'enterprise accounts' as they are called, was introduced by the Ministry of Finance (Økonomistyrelsen 1998). An annual report contains information on many key figures from organizations. The annual report initiative was made compulsory for all major organizations at the state level in 1997. In 1998, 134 annual reports on the year 1997 were published, and they are available on the internet. Even organizations that are not contract agencies are required to produce annual reports.

The annual reports' initiative is indicative of the contract agencies' situation in the third phase. Contracts cannot stand alone, but have to be placed in the wider government reform context. Another perspective is the increased use of the quality concept and new, fashionable governance tools like the balanced scorecard and value-based leadership. If the new concepts can be included in the performance criteria in the contracts, then fine. If not, the other concepts must be added to the contract concept. Contracts cannot stand alone, the argument seems to be from the Ministry of Finance's point of view.

Each department also has its own reform profile. Some are working with quality measures, and competing for the national quality award. Others seem to pursue value-based leadership where contracts may be seen as too bureaucratic because they involve too much cumbersome work. The main concern for the Ministry of Finance in the beginning of the new millennium appears to be to create conditions for a 'forward-headed dialogue'. These

conditions involve fora for exchange of views on a continuous and informal basis. In a recent report that looks back on the efforts at modernizing central government governance tools, the Ministry of Finance states: 'An effective governance relation between department and agency cannot be based alone on formal governance documents such as contracts and annual reports and so on. A continuous dialogue – formalised as well as *ad hoc* – between department and agency is necessary' (Økonomistyrelsen 1999, p. 65). An annual meeting between the department in the Ministry for Culture and their various agencies is set as an example for others to follow.

DISCUSSION

Without exaggeration, we can talk of a contract euphoria in the Danish central government in the 1990s. High expectations were attached to contracts by various governments. The contract agency reform is likely to be developed further with the focus shifting towards contracting within agencies (Pedersen and Kristensen 1999).

Contracts can be examined from both an isolated perspective, looking only at the contractual relationship itself, and from a wider perspective, examining the whole set of reform initiatives. The contracts will now be discussed from both perspectives.

Isolated perspective

Theoretically, the Danish contracts seem like a mixture. The language of agency theory was adopted, and served as an opportunity to get on with establishing contracts. The government also looked at the UK experience with Next Steps agencies. From an agency theory perspective, the Danish contract agencies are not consistent. No sanctions have been specified, leaving the credibility of the principals dangling on a thin thread. The contracts are not 'hard' legal documents. They can be revoked by the minister if necessary. This was well documented in a contract between the Minister of Finance and one of the department's own organizations, the Accounting Directorate. Here, it is clearly stated, that the document is not legal, and can, in fact, be cancelled by the minister of finance under appropriate circumstances (Økonomistyrelsen 1997). The Ministry of Finance's reluctance to provide credible sanctions seems strange in this respect. One possible explanation is that they cannot have interpreted the principal-agent framework seriously enough.

Instead, the Danish experience has rested on soft contracting. The soft option has a number of merits. Soft contracts fit the consensual culture in Danish central government. The soft option allows for alterations of the concept, and it has the potential to involve the employees of the organization instead of being a matter for the manager only. No exact data exist concerning employee participation, but some organizations seem to have used contracts to shake up established procedures and routines, and use contracts as a development project.

The negotiations and the department-agency dialogue became too soft however, because from the Ministry of Finance perspective, contracts did not pressurize the agencies enough. That is why the Ministry of Finance introduced more control in the third phase with the annual report initiative. After the annual reports had been published, the Ministry of Finance then found that relations have been too formalized, and not compatible with new governance tools, like the balanced score card or value-based leadership, which is why the agenda shifted again. The case of Denmark suggests that contracting without a theoretical framework can be troublesome.

Wider perspective

Contracts can be seen in a wider reform perspective. One claim by Dru-maux (1997) in her assessment of the Danish case was that 'unmeasurable' tasks now seemed more measurable! It is true that the Ministry of Finance has fought a long campaign to persuade public organizations that many of their complex tasks can be broken down into more specific objectives.

Contracts have forced many agencies to reconsider their tasks and objectives, and many complex organizations like the State Museum for Art, the National Museum, The Directorate for Immigration Service, and The National Board of Industrial Injuries have reconsidered their role and routines. However, it should be noted that many tasks were not included in the contracts' objectives, and no overview exists over the precise number of tasks that have been excluded from measurement (Statsrevisorerne 1998). Complexity may have been reduced by the contract experience, but only up to a point.

Contracts have been evaluated with small intervals, creating the opportunity to learn from past mistakes. The obsession with evaluation of administrative reforms characterizes the Danish approach to public sector reform, and contract agencies are perhaps a reform element that has undergone the highest number of evaluations. The key actors, including the Ministry of Finance and the Auditor General as well as the agencies, all seem keen to develop and adjust the concept as they increase their experience with concrete obstacles.

In the end, it seems that the contract agency concept cannot be left to its own devices. It has to be incorporated into the wider reform efforts, notably the trend to improve the control part, of which the annual reports can be seen as an expression. The task is then to fit the characteristic part of the contract into other reform elements like annual reports and, most recently, the balanced score card and value-based leadership.

One final point to make is that contracts have not gone down well in all types of organizations to which they have been applied. Some organizations were singled out as 'laggards' by the Ministry of Finance itself. Their tasks are characterized as highly complex, and their organizational motivation thought to be conservative. Quite how these organizations should be helped is not clear from the official material produced by the Ministry. This points

to a situation in the future where implementation failures are likely to surface. It is not every government department that embraces the idea either. The Ministry of Economics and the Ministry of Defence had not by 1998 established any contract agencies. They are powerful departments that appear to have the muscle to ignore the Ministry of Finance's initiative.

CONCLUSION

Denmark pointed the way to an alternative use of contracts in the public sector in the 1990s. The alternative use consisted of introducing contracts from principles of trust and co-operation, and not solely on a principal-agent framework. Contract agencies contributed to productivity rises in the Danish central government. However, the theoretical confusion led to an equally confused implementation process where formalized control and departmental autonomy replaced each other continuously. At the end of the 1990s, contract agencies could not stand alone anymore, but contract agencies had to be supported by annual reports, and other new organizational tools. Some of the new organizational tools, like balanced scorecards, require a different administrative reform path from formalized governance documents, like contracts and annual reports.

REFERENCES

- Brownsword, R. 1996 'From co-operative contracting to a contract of co-operation', pp. 14–39, in D. Campbell and P. Vincent-Jones (eds.), *Contracts and economic organisation*. Aldershot: Dartmouth Publishing.
- Boston, J. 1996 'The ideas and theories underpinning the New Zealand model', pp. 16–42, in J. Boston *et al.*, *Public management: the New Zealand model*. Auckland: Oxford University Press.
- Busch, T. 1993 'Økonomistyring ut fra et kontraktsteoretisk perspektiv', *Økonomistyring & Informatik* 9, 5, 271–92.
- Campbell, D. and P. Vincent-Jones (eds.). 1996 *Contracts and economic organisation. Socio-legal initiatives*. Aldershot: Dartmouth.
- Christensen, P., M. Ytting and H.N. Jensen. 1999 'Kontraktstyringsreformer i Danmark', pp. 251–53 in P. Lægread and O.K. Pedersen (eds.), *Fra opbygning til ombygning i staten. Organisationsforandringer i tre nordiske lande*. Copenhagen: DJØF Publishing.
- Deakin, N. and K. Walsh. 1996 'The enabling state: the role of markets and contracts', *Public Administration* 74, 33–48.
- Drumaux, A. 1997. 'Comments on the contract management project in Denmark', in OECD *Benchmarking, evaluation and strategic management in the public sector*. Paris: OECD.
- Finansministeriet (Danish Ministry of Finance). 1995. *Kontraktstyring i staten – erfaring fra 13 forsøg med resultatkontrakter*. Copenhagen: Ministry of Finance.
- . 1996 *Budgetredegørelse '96: Tillæg: Nye styringsformer i den offentlige sektor*. Copenhagen: Schultz.
- Greer, P. 1994. *Transforming central government: The next steps initiative*. Buckingham: Open University Press.
- Gomard, B. 1996. *Almindelig kontraktstret*. Copenhagen: DJØF Publishing.
- Hodgson, G. 1988. *Economics and institutions*. Cambridge: Polity Press.
- Jenkinson, T. and C. Mayer. 1996 'The assessment: contracts and competition', *Oxford Review of Economic Policy* 12, 4, 1–10.
- Jensen, M.C. and W.H. Meckling. 1976 'Theory of the firm: managerial behavior, agency costs and ownership structure', *Journal of Financial Economics* 3, 330–60.
- Milward, H.B., K. Provan and B. Else. 1992. 'What does the hollow state look like?' in Barry Bozeman (ed.), *Public management – the state of the art*. San Francisco: Jossey-Bass Publishers.

- Pedersen, P.K., H.D. Sørensen and J.B. Vestergaard 1997 'The contract management project in Denmark' in OECD, *Benchmarking, evaluation and strategic management in the public sector* Paris: OECD
- Pedersen, P.K. and J.K. Kristensen 1999. 'Kontraktstyring i staten- baggrund, erfaringer og fremtidige udviklingsmuligheder', *Samfundøkonomen* 5, 14–21.
- Rhodes, R.A.W. 1997. *Understanding governance*. Buckingham. Open University Press
- Scott, W.R. 1995 *Institutions and organizations*. London. Sage.
- Smuth, Bo. 1998 'Styringsformer i 1990'erne Hvor langt er vi nået?' in Økonomistyrelsen *Er vi på rette spor?* Copenhagen Ministry of Finance
- Statsrevisorerne, de af Folketinget valgte 1998 *Beretning om kontraktstyring* Copenhagen.
- Thaarup, B. 1995 *Kontraktstyrelser i Danmark*. Copenhagen: Projekt offentlig sektor
- Walsh, K. 1995. *Public services and market mechanisms* London Macmillan.
- Walsh, K. et al. 1996 'Contracts for public services: a comparative perspective', pp. 212–35, in D. Campbell and P. Vincent-Jones (eds.), *Contracts and economic organisation* Aldershot: Dartmouth
- Williamson, O. 1985 *The economics institutions of capitalism*. New York The Free Press.
- Økonomistyrelsen 1997. *Resultatkontrakt for økonomistyrelsen*. København
- , 1998 *Virksomhedsregnskaber i staten 1997*. Copenhagen: Ministry of Finance.
- , 1999. *Resultatorientering i staten 1998* Copenhagen Ministry of Finance.

Date received 11 September 1998. Date accepted 28 September 1999.

ARE YOU BEING SERVED? THE RESPONSIVENESS OF PUBLIC ADMINISTRATION TO CITIZENS' DEMANDS: AN EMPIRICAL EXAMINATION IN ISRAEL

ERAN VIGODA

Research in public administration (PA) is preoccupied with questions of efficiency and effectiveness which are aimed at improving public sector performance. According to the new public management approach, addressing this prominent challenge must rely upon a comprehensive understanding of citizens' /clients' perceptions of public sector operation and the extent to which public organizations are aware of public needs. This paper suggests a theoretical grounding and empirical examination of the relationship between citizens' demands and PA's responsiveness. Participants in the study were 281 residents of a large Israeli city who reported their feelings, attitudes, and perceptions of local government activities in a variety of fields. Results indicate that perceptions of PA's responsiveness are affected by both policy and cultural factors (for example business or social orientation of the public authority, entrepreneurship and initiation of changes, ethics, organizational politics) and by the quality of the human resource system and of public servants (for example quality of leadership and management, quality of employees, general stress when contacting public officials). Implications of the study are discussed in light of the ongoing debate regarding the need for a more responsive and efficient new public management and the difficulties it faces in western societies.

INTRODUCTION

Citizens' control over the operation of public agencies is a core necessity in every democracy. It cannot be attained when there is insufficient knowledge on the fit between what citizens desire and what governments offer. The idea that citizens and rulers have a hidden agreement or 'social contract' was advanced in Europe during the seventeenth and eighteenth centuries. By electing a government, people lend, alienate, or give up their power to political rulers on condition that it be used to satisfy certain of their most important needs (Hampton 1986, p. 256). Under such an arrangement, these needs, such as personal security, social order, welfare and prosperity must be delivered by governmental authorities and by the public administration (PA). Governments are elected to serve the people and may not be re-elected if they fail to accomplish minimum requirements. Thus, theoretically, nothing should be more important, either for citizens, poli-

Eran Vigoda is an Assistant Professor in the Department of Political Science, University of Haifa, Israel and a Visiting Professor at the Derbyshire Business School, University of Derby, UK

Public Administration Vol. 78, No 1, 2000 (165-191)

© Blackwell Publishers Ltd 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

ticians, or public servants, than to work faithfully and diligently for the sake of society and its members. Otherwise, the social contract becomes useless since some basic domains of democratic regimes no longer exist.

Considering the fact that today, citizens of stable democracies are still committed to this ancient contract, the question of how governments fulfil *their* part of the deal and how sensitive they are to citizens' needs remains unclear. Do governments and public officials really work hard for the public money delivered to them continuously and in increasing amounts? Alternatively, do public officials misuse these resources? What do citizens/clients think of the quality and quantity of the services they receive? Do they really believe that they are being served properly? Answers to these descriptive questions may provide meaningful explanations of how citizens evaluate the responsiveness of PA. More importantly, they may illuminate the main causes leading to changes in such evaluations.

The present study seeks to address these questions and to propose an empirical examination of the public administration-citizens' contract. For that purpose, some plausible explanations for change in PA's responsiveness and in citizens' satisfaction are suggested. The first explanation is based on policy and cultural factors. The second emphasizes human resource considerations and the quality of public servants. Moreover, an attempt is made to estimate the relative contribution of both groups of factors, policy and culture and human resources, to understand PA's responsiveness. This will provide some insights into the question of what is important for citizens when contacting public agencies. Is it policy and cultural motives or alternatively the quality of public servants and the human system which back up this policy?

THEORETICAL REVIEW

Responsiveness to citizens' demands

Approaches to the understanding of PA's responsiveness are controversial. Some studies describe responsiveness as, at best, a necessary evil that appears to compromise professional effectiveness and, at worst, an indication of political expediency if not outright corruption (Rourke 1992). According to this line of research, responsiveness damages professionalism since it forces public servants to satisfy citizens even when such actions contradict the collective public interest. To satisfy the public will, short-term considerations and popular decisions are overemphasized, while other long-term issues receive little or no attention at all. However, other studies suggest that democracy would seem to require administrators who are responsive to the popular will, at least through legislatures and politicians if not directly to the people (Stivers 1994; Stewart and Ranson 1994). While responsiveness is frequently considered a problematic concept in PA literature it is undoubtedly critical to politicians, bureaucrats and citizens alike. A responsive politician or bureaucrat must be reactive, sympathetic,

sensitive, and capable of feeling the public's needs and opinions. Since the needs and demands of a heterogeneous society are dynamic, it is vital to develop systematic approaches for its understanding. In many ways this is the key for securing a fair social contract between citizens and rulers.

A clear consensus exists among many scholars and practitioners that the opinions of service receivers need to be taken seriously by policy makers (Palfrey *et al.* 1992; Winkler 1987; National Consumer Council 1986; DHSS 1979). This information can help to: (1) understand and establish public needs; (2) develop, communicate and distribute public services and; (3) assess the degree of satisfaction with services (Palfrey *et al.* 1992, p. 128). Thomas and Palfrey (1996) argue that citizens are the clients and main beneficiaries of public sector operation and thereby should be involved in every process of performance evaluation. In their study, responsiveness of the public sector to citizens' demands is mentioned as an important part of performance *control* since it refers to the speed and accuracy with which a service provider replies to a request for action or for information. According to this definition, speed can refer to the waiting time between citizens' requests for action and the reply of the public agency. Accuracy means the extent to which the provider's response is appropriate to the needs or wishes of the service user. Nonetheless, while speed is a relatively simple factor to measure, accuracy is a more complicated one.

Contrary to the private sector, public service accuracy must take into consideration social welfare, equity, equal opportunities, and fair distribution of 'public goods' to all citizens. Rhodes (1987) and Palfrey *et al.* (1992) suggested these criteria among the values which are additional to efficiency, effectiveness, and service that characterize market-driven processes. To test for accuracy of governmental endeavours one must examine how citizens feel when consuming public services. A well-accepted method is to use satisfaction measures indicating the outcomes of certain activities and the acceptance of public administration actions as fruitful, contributive, equally shared among a vast population, and responding well to public needs.

Responsiveness, accountability, and performance in the public sector

While it is not obvious that the accumulated wisdom of the private sector is transferable to the public sector (Pollitt 1988; Smith 1993), still inevitable interactions between the two spheres are productive for both. However, this study is more interested in how the public sector could benefit from the experience of private organizations in managing large bureaucracies. This question has received much attention in the new public management literature which has been rapidly developed in western societies since the 1980s (Stewart and Ranson 1994). A considerable effort was dedicated to recognizing and defining new criteria that may help in determining the extent to which public agencies succeed in responding to the growing needs of the public. As a result, new public management trends have increased

the interest in specific Performance Indicators (PIs) used in private organizations. It has recommended that they be applied in the public sector (for example Smith 1993; Carter 1989). It was also argued that these indicators could function as milestones on the way to better efficiency and effectiveness of PA.

For example, Smith (1993) mentions two different indicators for measuring public sector performance: internal and external to the organization. Measures of internal performance, such as managerial processes, routines and formal procedures, are of limited interest to ordinary citizens yet are also those which attract more attention in management literature. Their main objective is to enable the central government to secure closer control of devolved management teams (Carter 1989). However, Smith argues that these studies are less concerned with external indicators (outcome-related) which are intended to enhance the *accountability* of public organizations to external interested parties (for example service users, the electorate, taxpayers, central government). The role of such outcome indicators is to furnish external users with information about the consequences of public sector activity so that citizens can make better judgements about the organization's performance.

Following this, Anthony and Young (1984, p. 649) claimed that more active interest in the effective and efficient functioning of public organizations by its governing boards is essential for the improvement of management in non-profit organizations. Citizens' awareness will increase the political pressure placed on elected and appointed representatives on governing boards, thereby enhancing both managerial and allocative efficiency in the public sector. Smith (1993) compares this process of public accountability to stakeholders/citizens, with the role adopted by financial reporting in the private/corporate sector. As in the private sector, increasing external-related outcomes, such as the responsiveness of public authorities to citizens' demands, will have a profound impact on internal control mechanisms, as managers and public servants become more sensitive to their duties and highly committed to serve the people.

Management theory, as well as political science theory, defines this process of 'controlling' or 'monitoring' as the collection and analysis of relevant data about organizations' achievements and the implementation of actions to improve future performance (Thomas and Palfrey 1996). Control and monitoring is frequently identical with accountability when public needs and interests are involved. As was argued by Stewart and Ranson (1994), organizations in the public domain exercise substantial power for which they are accountable. Public accountability must involve a political process which responds to the many voices of citizens/clients. A response or *voice* is defined by Hirschman (1980) as a pure political action compared with an *exit* which represents more of an economical action. Since citizens generally don't have the alternative of exit in a public market, the option of voice becomes more relevant and imminent. Moreover, It seems that western

democracies are facing pressures for greater rather than less accountability on behalf of their citizens. Traditionally, large public bureaucracies use a variety of formal control systems (for example general and internal auditing, accounting, and special departments which deal with citizens' requests and complaints) that are aimed at providing the organization with better information on which to base internal performance indicators. However, hardly any effort has been made to actively obtain external performance indicators such as citizens' opinion of actual public operation and services. Moreover, even when such steps are taken, the main motive is political rather than professional or administrative.

Politics and performance in PA

The political environment of public organizations restricts its professional flexibility and capability to appropriately responding to citizens' demands. As was noted by Palfrey *et al.* (1992, p. 133), 'enhanced awareness of consumers' views offers elected members the opportunity to increase their chances of re-election and prospective members of being elected'. It seems that the political sphere is responsible for the somewhat negative image of responsiveness in the eyes of many administrators and scholars. Since the strongest motive of politicians in every democracy is to be (re)elected, outcomes of public activity are normally examined for citizens' criticism only prior to elections. It is only when elections become imminent that citizens' satisfaction tends to be important for politicians and worthy of evaluation. Frequently, these assessments do not rely on objective or scientific data bases and serve only the politicians' narrow interests. Moreover, Winkler (1987) has criticized the superficiality of current consumerism in the public sector for being just a little more than a public relations exercise. These public relations largely involve politics and politicians who find consumerism to be a good vote recruiter. When consumerism and consumers become a tool in the political game, the reliability of public surveys made for political purposes is damaged and their implications should be treated with considerable suspicion.

In view of the above it is unsurprising to find that evaluating responsiveness in public agencies is a complex task. While private organizations must always be aware of clients' satisfaction in order to adjust for better self-responsiveness, public organizations are less concerned with citizens' demands since usually the latter do not have a real 'exit' alternative for getting the necessary services such as security, transportation, ecology, health, education, etc. Even when such alternatives exist they are usually partial, limited in quantity, relatively more expensive and beyond the affordability of ordinary citizens.

Nevertheless, as new public management evolves, PA is urged to become more active and initiative taking in measuring self-performance. For example, Pollitt (1990) suggested a taxonomy for measuring performance in the public sector: (a) measuring performance as an activity aimed at

renewing or reinforcing political and public legitimacy, and (consequently) as attracting political allocations of resources; (b) measuring performance as a decision aid to management in adjusting organizational structure and processes, and internal resource allocation to support these and; (c) measuring performance in order to provide customers and clients with information on the quality, effectiveness, accessibility or efficiency of the services being provided. It is argued that while the two first types of performance measurements remain the dominant concern of the literature, the third is a long way back. New public management argues that citizens/consumers represent a new actor – and a most important one – in the performance evaluation ‘game’.

Public management and responsiveness

The new public management perspective towards PA's responsiveness may be understood in different ways. For example, Gunn (1984) mentions four major aspects of public management: (1) public management as public administration, (2) public management as business management, (3) public management as public policy, (4) public management as managing people. Parsons (1995, p. 554) suggests that contemporary literature in public policy 'is for the most part concerned with the evaluation of programmes and policies. However, in a managerial framework it also encompasses the evaluation of people *qua* Human Resources'. Thus, the knowledge gained through the understanding of Human Resource Management (HRM) and Organizational Development (OD) is most important and emphasizes *the evaluation of people* as opposed to programmes and policy. Using these techniques, people are changed so as to become more committed, competent, cost-effective, and in sympathy with the aims of the organization which is to bring better services to the citizens (Thompson 1990, p. 307).

These aspects of new public management represent a holistic approach towards the goals of public services in modern democracies. Such an approach can be defined as *an integration of ideas from different disciplines on the operation of large bureaucracies which function under political pressures, using general management wisdom and business considerations to implement innovative policies and ideologies for the public interest*. Building on the above, responsiveness in public organizations is a synthesis of business considerations, public policy, and human determinants which better describe the complex environment of PA. Thus, two main groups of antecedents which may affect responsiveness to the public needs are proposed: (1) public policy and cultural aspects and, (2) human resource determinants and in particular quality of public servants. While the conceptualization of the second group is relatively easy and relies on vast HRM literature, one may question the integration of public policy and cultural factors into one group. Indeed, policy and culture are often discussed separately in organizational theory. It is also likely that these constructs are inter-correlated and have some effect on HRM factors. However, this study analysed policy and culture as

one group (with different internal components) mainly to distinguish them from more micro-oriented variables of HRM. The usefulness of such a strategy will be demonstrated further on in the paper. Hence, the plausible relationship between all these constructs is described in figure 1.

Public policy and culture

Welfare state ideology, which flourished in Europe after the Second World War, was mainly a result of post-war solidarity and common faith in the growing power of democracy (Gladstone 1995) but at the same time reflected an attempt to respond to citizens' increasing demands for better services and an improved quality of life. The greatest challenge to PA during the late 1940s and until the 1960s was to provide more services to the people and to re-build a new European society. However, no welfare state could ignore economical and business considerations which heavily determine its efficiency and stability. Thus, since the late 1960s and early 1970s, PA has been urged to become more effective, efficient and business oriented. To achieve these goals scholars suggested ideas of better flexibility, entrepreneurship, and willingness to adopt creative new ideas. The concepts of Management by Objectives (MBO), Total Quality Management (TQM), and International Organization for Standardization (ISO) have become more applicable in public agencies. A philosophy of privatization was implemented under the Thatcher administration in Britain. Innovative ideas of rebuilding public sector budgets (for example Zero-Based Budgeting), reinventing government, outsourcing, and re-engineering of PA were suggested in America. These ideas have tried to respond to the growing strain between democracy and market forces. The environment of PA had started to change and called for establishing new standards of operation in the public services of western societies (Osborne and Gaebler 1992; Bozeman 1993; Farnham and Horton 1993). It was agreed that a responsive, effective and efficient public policy must adopt a balanced strategy which

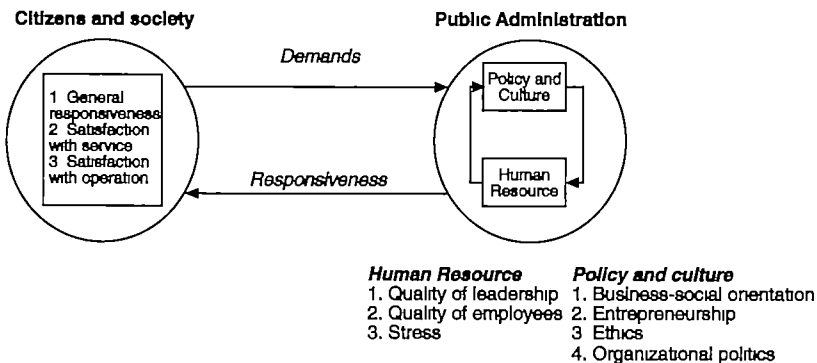


FIGURE 1 A model of PA's responsiveness to citizens' demands

synthesized economical and budgetary factors with social and human care considerations.

While today the debate continues in every modern society as to how to successfully balance these two factors, almost no one disputes the fact that citizens as clients have much to say about public policy. Since governmental policy directly affects the society, the public has the right to democratically influence public policy. Hence, policy is assumed to have an impact on citizens' perceptions of responsiveness. When policy agrees with public demands, citizens are more willing to accept administrative actions as responding to their needs and to show more support in the entire democratic process. Public policy considerations and operation affect citizens' day-to-day life. They can thus be hypothesized to affect public perceptions of the responsiveness of public authorities. It is worth noting that generating public policy that works, and at the same time obtaining citizens' support, is a complex, some say almost impossible mission. However, citizens' support of or opposition to governments' policy must be reflected through a continuous measure of attitudes towards PA and by satisfaction indicators in a variety of fields. Unfortunately, until now only few initiatives have been suggested to respond to this challenge.

Beyond the limits of policy determination and implementation, the relationship of policy with other organizational factors should also be considered. Public policy is mutually related to administrative culture, ethics, norms and behaviours of public servants. For example, hand-in-hand with governmental operation, questions of ethical standards, integrity, fair and equal treatment to clients, or appropriate criteria for rewards to public servants become more relevant. Today, public services in Europe are wider than ever before (Gladstone 1995). As a result, public servants are taking care of growing budgets. They control the transference of more capital to and from the state treasury. This exposes many of them to ethical dilemmas as to how to properly manage, distribute and redistribute economic wealth. Other ethical difficulties arise as a result of the instability between business and social requirements in the public environment. For example, when the cost of certain medicine is too high for citizens to purchase, should the state take responsibility and help them? When state prisons are full of convicted prisoners, should the state release some of them to create more places for others? Responding to such moral issues is difficult. However, public policy which neglects considerations of ethics, equal treatment of the public, or basic justice and fairness among its members is initiating a self-destructive process which may damage its functioning in the long run (Wilenski 1980).

The last two decades have witnessed a growing interest in issues of administrative ethics and fairness (Gawthrop 1976; Wilenski 1980; Richardson and Nigro 1991; Suzuki 1995; DeLeon 1996; Lui and Cooper 1997). Generally, citizens are sensitive to and aware of such unhealthy processes although having almost no opportunity to use their collective opinion in order to influence decision makers. While the media, the auditing system,

the state comptroller, and even the legal authorities in western societies are those which should play an important part in criticizing public policy and administrative culture, citizens themselves are rarely questioned about their feelings and attitudes on such topics. Do they feel that PA operates effectively and ethically? Are they being treated fairly by public servants? Nonetheless, the absence of a direct and sound public voice does not imply that citizens give up their potential power. Citizens seem to have their personal attitudes and impressions of internal processes in public agencies (for example do they work to high standards of morality and ethics? Do they fairly treat all citizens?). Citizens as clients increasingly develop independent perspectives towards issues such as what kind of culture PA encourages and how this culture corresponds with general morality in PA. It is argued in this study that the policy and culture of PA affect citizens' feelings and beliefs regarding the responsiveness of public agencies.

Consequently, it was decided to focus on four factors which represent public policy and cultural characteristics: business or social orientation of the public authority, entrepreneurship and initiation of changes, internal ethics, and organizational politics among civil servants. All these factors refer to policy perceptions, orientations, and the administrative culture of public organizations. They consist of declared objectives and actions that public authorities choose to take, stand for, or alternatively withhold. No personal affiliation is relevant here and the public system as one integrative whole is under evaluation.

Human resource and the quality of public servants

A second group of variables which is hypothesized to affect citizens' satisfaction and perceptions toward the responsiveness of public agencies is more related to the human side of organizations. Compared with the policy and cultural elements which reflect more macro-level constructs, the behaviours of public servants are nested in the micro-level of organizations and in HRM theory and practice. One goal of this study is to distinguish between macro-level and micro-level constructs that may affect citizens' perceptions of PA's responsiveness. While this classification is not ideal because of mutual macro-micro relationships, it can significantly contribute to a better understanding of what *people* do in comparison with what *policy and cultures* do in regard to PA's responsiveness.

Many studies have elaborated on the importance of creating an efficient, skilful, professional, and committed public service to assist the government in its functioning (for example Staats 1988; Hart and Grant 1989; Holzer 1989; Holzer and Rabin 1987). However, the quality of public servants is frequently criticized by scholars and practitioners. For example, Holzer and Rabin (1987) claimed that sustained attacks on the public service encourage many top students to pursue careers in the private sector, lower the morale and increase attrition of public servants. As a result, elected officials try to

minimize pay rises for career officials and thereby discourage recruitment and retention of the most able public servants.

The quality of leadership and management significantly influence the success or failure of every organization. Lane (1987) argues that leadership in the public sector has become more important especially since the 1980s. Its growing importance is related to the fiscal crisis of the state that has emerged since about 1975, as well as to the attempt to insert more private sector principles into the public sector. Modern organizations put a great deal of effort into improving managers' skills and developing business as well as human vocations among the internal leadership. Since this layer of employees is responsible for the continuous long-range operation and healthy functioning of the organization, it is of major value to test its image in the eyes of citizens. Despite the fact that citizens do not always have sufficient knowledge about the abilities and professionalism of public managers, they still operate as objective and 'honest' evaluators of services they are entitled to receive. In many cases, citizens' criticism is not directed towards the immediate service provider but toward the public system and its leaders as a whole. The democratic process in general, and particularly the free media, help to create better accountability and awareness of citizens. This mainly pertains to the local government level where the operation of public agencies is more relevant to citizens' day-to-day life. Hence, some questions should be addressed. Do citizens trust public servants and have faith in their leadership? Do they believe in their professionalism and capability to implement public policy as required? The assessment of employees as qualified and effective in fulfilling their duties is another aspect of human resource quality. While managers have a most influential effect on the operation of PA, street-level employees are generally those who directly confront the public and need to provide immediate answers to their requests. Being in the 'front lines', employees must demonstrate service-orientation, professionalism, knowledge, patience and understanding of the citizens' changing needs. In contrast to the assessment of managers' operation this research asserts that the public is highly capable of evaluating the functioning of employees.

Moreover, one must also be aware of another point of view: what are the citizens' reactions when contacting PA's agencies? Do they feel burdened and stressed or alternatively relieved and untroubled? While the last decades have witnessed a growing interest in the issues of stress and strain of public employees in the fields of education, health care and welfare (for example Crank 1991; Friesen and Sarros 1989; Israel *et al.* 1989) almost no attention has been given to citizens' /clients' stress in their relationship with public institutions. When public servants are skilled and professional, citizens are expected to feel more comfortable and to have less stress and strain caused by confrontation with public officials. Conversely, a non-qualified, passionless, or apathetic public servant may treat citizens insensitively and thus encourage reactions of dissatisfaction, helplessness or even anger

towards the public system as a whole. One should note that this is much in line with contemporary psychological theory. Studies have long argued and empirically validated a negative relationship between a supportive environment and reduced levels of stress and strain in organizations (for example Jayaratne and Chess 1984; Punch and Tuetteman 1996; El-Bassel, Guterman, Bargal and Su-Kuo 1998). When the individual is surrounded with an emphatic and supporting environment, levels of stress, strain and anxiety dramatically decrease. Therefore, citizens' stress when contacting public agencies is expected to contribute to a better understanding of the human side of PA. Hence, this research focuses on three aspects of public servants and their characteristics in public organizations: quality of leadership and management as perceived by clients/citizens, quality of employees who directly address public needs and, citizens' reported stress when contacting PA and public officials. The human factor is examined in this study together with policy and cultural variables and is expected to have significant effect on attitudes towards the responsiveness of PA.

METHOD

Sample and procedures

The study was based on a survey of 330 residents from a large Israeli city with a population of approximately 280,000. A total of 281 usable questionnaires (return rate of 85.2 per cent) were used in the final analysis. The city is located in northern Israel and has six main neighbourhoods from which the respondents were randomly chosen. Data collection was conducted between April and May 1998. Participants were asked to provide information concerning their attitudes towards public policy and culture, public servants in different city departments, as well as the responsiveness of public agencies and their satisfaction with the services provided by the local municipality. Participation in the research was voluntary and citizens were assured of full confidentiality through the entire process. A breakdown by neighbourhood showed that 27.0 per cent lived in low class neighbourhoods, 32.0 per cent lived in average class neighbourhoods, and 41.0 per cent lived in high class areas; 57.3 per cent of the sample were female, 55.6 per cent married, and 65.7 per cent had an income which was equal to or less than the average salary in Israel. Average age was 35.6 years (s.d. = 14.0); average tenure in the city was 24.1 years (s.d. = 15.8). A university or college degree was held by 57.7 per cent of the respondents with an additional 8.8 per cent who had partly academic or higher education studies. The demographic characteristics of the sample were quite similar to those of the total population in the city as reported by the city's research and statistics department: average age 35.6; 52 per cent female; 46 per cent married; 63.1 per cent with 13+ school years or any academic degree.

MEASURES

Dependent variables: perceptions of PA's responsiveness

Citizens' attitudes towards the responsiveness of public administration were examined by three variables. The first, general responsiveness, refers directly to the accuracy and speed of public sector reaction to citizens' demands (Thomas and Palfrey 1996). The other two variables represent satisfaction with services which are provided by public officials and satisfaction with PA's operation in a variety of fields (education, culture, transportation, welfare, decoration, etc.)

General responsiveness

Relying on the theoretical conception of Thomas and Palfrey (1996), this variable was measured by three items aimed at evaluating the speed and accuracy of public services provided to the residents by the city authorities. The items were: (1) 'this municipality seriously responds to public criticism and suggestions for improvement'; (2) 'this municipality responds to public requests quickly and efficiently', and (3) 'this municipality is making a sincere effort to support those residents who need help'. Respondents were asked to report how much they agreed with the items. The response scale ranged from 1 (strongly disagree) to 5 (strongly agree). Internal reliability of the scale was .70.

Satisfaction with service

This variable assembled detailed information regarding citizens' satisfaction with services in the city offices. It refers to public servants' behaviour, ways of handling citizens' requests, and physical conditions in the city halls. Residents were asked to report how satisfied they were with the treatment they received either when they personally arrived at the city departments or contacted them by phone. A six-item scale was used as follows: (1) 'how satisfied are you with employees' courtesy and kindness?'; (2) 'how satisfied are you about the time required to handle your request?'; (3) 'how satisfied are you with the efficiency of public servants?'; (4) 'how satisfied are you with the physical conditions in the reception hall?'; (5) 'how satisfied are you with the willingness to help you over and above formal requirements?', and (6) 'all in all, how satisfied are you with the services you receive?'. The response scale ranged from 1 (not at all satisfied) to 5 (very satisfied). Internal reliability of the scale was .86.

Satisfaction with operation

This variable referred to a variety of duties for which the city authorities are responsible and also to the ways of determining and implementing policy. Participants were asked to report on a ten-item scale how satisfied they were with the following operational fields of the city authorities: (1) roads and infrastructures, (2) cultural and educational services, (3) city decoration and preservation, (4) cleanliness, (5) urban-construction planning, (6) ecology and air pollution, (7) initiation of employment programmes, (8) parking

and traffic arrangements, (9) development of sea coast, and (10) initiation of outstanding and unique programmes. Reports on satisfaction from operations in these fields were measured on a 5 point scale ranging from 1 (not at all satisfied) to 5 (very satisfied). Internal reliability of this scale was .80.

Independent variables

Two groups of independent variables were chosen. The first group reflects a macro-level of policy and culture in public administration. It was defined as a combination of the following factors: (1) business or social orientation of the public agency, (2) internal ethics, (3) entrepreneurial activities, (4) organizational politics. The second group of independent variables embodies a set of micro-level constructs which involves perceptions of the human resource system and quality of public servants. This group was made up of the following factors: (1) quality of leadership and management, (2) quality of employees, (3) stress when contacting PA.

Business or social orientation

This variable represents citizens' attitudes towards the priorities of urban policy. It attempts to evaluate how successful the policy is in regard to balancing financial considerations with the social duties of standard operation. The variable consisted of a four-item scale: (1) 'this municipality is more concerned about financial incomes than about helping the less able'; (2) 'for this municipality, economic efficiency is the most important goal while citizens are those who must pay the price'; (3) 'In this municipality, policy is business derived no matter what are the citizens' real social needs', and (4) 'this municipality's investment policy gives priority to weak neighbourhoods over strong ones (reversed item)'. Respondents were asked to report how much they agreed with these items and the scale ranged from 1 (strongly disagree) to 5 (strongly agree). Internal reliability of this variable was .70.

Ethics

This variable describes general attitudes towards the morality and fairness of civic servants. It consists of three items: (1) 'in this municipality, most civic servants are disinterested and honest'; (2) 'citizens of this city receive equal and fair treatment from the city officials', and (3) 'in this municipality, exceptions from good moral norms are rare'. Respondents were asked to report how much they agreed with these items. The scale ranged from 1 (strongly disagree) to 5 (strongly agree) while higher scores represented a more positive (moral and ethical) view of the public service in the city. Internal reliability of this variable was .75.

Entrepreneurship

This variable represents the degree to which public policy in the city is flexible, taking account of initiative and willingness to adopt new ideas. It was measured by a five-item scale: (1) 'This municipality comes with prom-

ising new ideas which improve citizens' quality of life'; (2) 'compared with other cities, this city has a leading position in developing useful projects for the public'; (3) 'I find this city to be managed with much creativity'; (4) 'this municipality encourages its employees to take initiative and to suggest good ideas to improve service quality', and (5) 'advanced technology is involved in improving quality of service in this city'. Respondents were asked to report how much they agreed with the items on a scale from 1 (strongly disagree) to 5 (strongly agree). Internal reliability of this variable was .80.

Organizational politics

This variable was measured by items from the shorter version of perception of organizational politics scale (POPS) which was first developed by Kacmar and Ferris (1991) and re-examined by Kacmar and Carlson (1994). The above studies, like this one, defines POPS as the degree to which the respondents view a certain work environment as political, and therefore unjust and unfair. In most of the studies which used this scale or part of it, employees were asked to report the level of internal politics in their work environment. As far as this research could find, this is the first time that any version of POPS has been used to obtain clients'/citizens' opinion on internal politics within public agencies. While the Kacmar and Ferris's original scale included 40 items, Kacmar and Carlson's study used the most parsimonious set of only 12 items from which we adopted 6. These items were modified to fit the report of an external evaluator. The items are (1) 'Favouritism rather than merit determines who gets ahead in this municipality'; (2) 'There have always been influential groups in this municipality that no one ever crosses'; (3) 'I think that employees in this municipality usually don't speak up for fear of retaliation by others'; (4) 'people in this municipality attempt to build themselves up by tearing others down'; (5) 'There are changes made in the policies of this municipality that only serve the purposes of a few individuals, not the organization or the public interest', and (6) 'Generally speaking, this municipality operates appropriately and is not affected by political pressures' (reversed item). Respondents were asked to use their best knowledge and to report how much they agreed with the items. The scale ranged from 1 (strongly disagree) to 5 (strongly agree), so that a higher score meant higher perception of organizational politics in the municipality. Internal reliability of the scale was .77. This is quite similar to the reliability reported in other studies which used internal employees' evaluations (for example .74 in Ferris and Kacmar 1992, .76 in Parker, Dipboye and Jackson 1995).

Quality of leadership and management

This variable examined citizens' perceptions of the municipality's leading group, managers and senior bureaucrats. Three items were used to test this variable: (1) 'public leadership and senior management in this city are well qualified and with high professional standards'; (2) 'I think that this city is

managed appropriately and it is in a good order', and (3) 'the leaders of this city have a vision and long range view as to where we are going'. Respondents were asked to provide their attitudes on a 5 point scale from 1 (strongly disagree) to 5 (strongly agree). Internal reliability of the scale was .80.

Quality of employees

To provide supplementary information on the quality of human resources we asked the participants to report their perceptions regarding the quality of employees. This variable was measured by three items: (1) 'employees of this municipality are professionals and highly qualified'; (2) 'employees of this municipality show understanding, care, and willingness to serve the citizens', and (3) 'this municipality employs only high quality individuals'. Respondents were asked to provide their attitudes on a 5 point scale from 1 (strongly disagree) to 5 (strongly agree). Internal reliability of the scale was .81.

Stress when contacting PA

This variable represents the levels of citizens' consolation when they are in need of certain services or apply to a public agency or public official. Low levels of stress indicate that public servants are treating the public with sufficient patience and empathy which reduces strains. To measure this variable we used three items: (1) 'when I come to the city offices for some purpose, I feel tense and worried'; (2) 'I find that for me, contacting public agencies is an annoying task', and (3) 'when I need to talk to a city officer I generally feel bothered'. As in the above variables, respondents were asked to render their attitudes on a 5 point scale from 1 (strongly disagree) to 5 (strongly agree). Reliability of this scale was .80.

Control variables

The control variables included two dichotomous variables, gender (0 = male; 1 = female), and neighbourhood (0 = low class; 1 = high class) as well as one ordinal variable, income per month, which was measured on a five point scale from 1 (up to NIS2000 [about \$750; very low salary) to 5 (over NIS8000 [about \$2500]; very high salary).

Data analysis

To test the relationships between the independent variables and public responsiveness we used a multiple hierarchical regression method. Three regression models were tested to examine general responsiveness, satisfaction with service and satisfaction with operation. In each of the regression models we examined both the individual relationship of the independent variables with the dependent, and the overall contribution of a group of variables (policy and culture vs. human resources and quality of public servants) to the explanation of responsiveness and satisfaction.

FINDINGS

Table 1 presents descriptive statistics, intercorrelations, and reliabilities of the research variables. Reliabilities and psychometric properties of all the variables are good and show normal distribution of the research sample. The correlation matrix shows some significant relationships between general responsiveness and a series of independent variables ($r = -.36$, $p < .001$ with business orientation; $r = .50$, $p < .001$ with ethics; $r = .59$, $p < .001$ with entrepreneurship; $r = -.40$, $p < .001$ with organizational politics; $r = .65$, $p < .001$ with quality of leadership and management and; $r = .54$, $p < .001$ with quality of employees). Satisfaction with service was positively related to ethics and entrepreneurship ($r = .40$, $p < .001$), quality of leadership and management ($r = .46$, $p < .001$), and quality of employees ($r = .58$, $p < .001$). It was also negatively related to business orientation ($r = -.17$, $p < .01$), organizational politics ($r = -.31$, $p < .001$), and stress when contacting PA ($r = -.25$, $p < .001$). Satisfaction with operation was positively related to ethics ($r = .29$, $p < .001$), entrepreneurship ($r = .58$, $p < .001$), quality of leadership and management ($r = .52$, $p < .001$), and quality of employees ($r = .36$, $p < .001$). In addition it was negatively related to business orientation ($r = -.29$, $p < .001$), organizational politics ($r = -.35$, $p < .001$), and stress when contacting PA ($r = -.14$, $p < .05$).

One may notice that some of these correlations are relatively high. However, only one (general responsiveness, and quality of leadership and management) exceeds the level of .60. Therefore, the possibility of multicollinearity or 'concept redundancy', as mentioned by Cohen and Cohen (1983), is significantly low. These findings provide some indication for a relatively strong and meaningful relationship between the independent variables and the three types of responsiveness examined in the study. The correlations thus suggest some support for the research model.

Table 2 describes the findings of three multiple hierarchical regressions. In each of the regressions the dependant variable was regressed on the independent variables using a three step method. Every step added one group of variables into the equation. In the first step, only variables of the first group (policy and culture) were entered into the equation. This was followed by entering the second group of variables (human resource and quality of public servants). In the third and final step we added the control variables which created the final regression model.

The first regression examined changes in the general responsiveness of PA as perceived by the public. After step 1, all four variables of the policy and culture group were significantly related to general responsiveness. As expected, general responsiveness was positively related to ethics and entrepreneurship ($\beta = .23$, $p < .001$ and $\beta = .39$, $p < .001$ respectively) and negatively related to business orientations and organizational politics ($\beta = -.18$, $p < .001$ and $\beta = -.13$, $p < .05$ respectively). Step 2 and 3 caused some decrease in these values. However, only organizational politics

TABLE 1 Descriptive statistics, reliabilities and intercorrelations among research variables (reliabilities in parentheses)

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
<i>Policy and culture</i>														
1 Business or social orientation (business)	3.44	.78	(.70)											
2 Ethics	2.79	.77	-.23***	(.75)										
3 Entrepreneurship	2.71	.71	-.24***	.47***	(.80)									
4 Organizational politics	3.46	.67	.31***	-.38***	-.35***	(.77)								
<i>Human resources and quality of public servants</i>														
5 Quality of leadership and managers	2.58	.84	-.32**	.51***	.60***	-.44***	(.80)							
6 Quality of employees	2.64	.77	-.23***	.52***	.49***	-.44***	.63***	(.81)						
7 Stress when contacting PA	2.96	.97	.15*	-.17**	-.09	.19***	-.11	-.20***	(.80)					
<i>Perceptions of PA's responsiveness</i>														
8 General responsiveness	2.58	.79	-.36***	.50***	.59***	-.40***	.65***	.54***	-.08	(.70)				
9 Satisfaction with service	2.77	.74	-.17**	.40***	.40***	-.31***	.46***	.58***	-.25***	.43***	(.86)			
10 Satisfaction with operation	2.69	.64	-.29***	.29***	.58***	-.35***	.52***	.36***	-.14*	.51***	.39***	(.80)		
<i>Control variables</i>														
11 Gender (female)	.57	.50	-.02	-.04	.01	-.04	.04	-.03	.02	-.03	-.05	-.06	(-)	
12 Income	2.90	1.59	.10	-.03	-.18**	.09	-.15*	-.03	-.04	-.19**	0.00	-.21***	-.30***	(-)
13 Neighbourhood (high class)	.61	.49	-.09	.01	-.08	-.09	.01	-.02	0.00	.06	-.10	-.05	-.01	.02

N = 248-281 due to missing values

* $p \leq .05$ ** $p \leq .01$ *** $p \leq .001$

TABLE 2 Findings of multiple hierarchical regression analysis (standardized coefficients) for the effect of independent variables on PA's responsiveness (t test in parentheses)

Variable	General responsiveness			Satisfaction with service			Satisfaction with operation		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
<i>Policy and culture</i>									
1 Business or social orientation (business)	-.18 (-3.53***)	-.14 (-3.03**)	-.13 (-2.80**)	-.02 (-.31)	.01 (.23)	.00 (.06)	-.13 (-2.49*)	-.10 (-1.89)	.10 (1.84)
2 Ethics	.23 (4.12***)	.13 (2.45*)	.14 (2.50*)	.24 (3.56***)	.06 (1.24)	.08 (1.20)	-.03 (-.35)	-.08 (-1.23)	-.07 (-1.21)
3 Entrepreneurship	.39 (7.26***)	.24 (4.13***)	.23 (3.98***)	.24 (3.68***)	.10 (1.51)	.09 (1.40)	.52 (8.82***)	.43 (6.70***)	.41 (6.27***)
4 Organizational politics	-.13 (-2.34*)	-.05 (-.97)	-.04 (-.80)	-.13 (-2.05*)	-.01 (-.05)	-.02 (-.26)	-.14 (-2.42*)	-.10 (-1.68)	-.10 (-1.78)
<i>Human resource and quality of public servants</i>									
5 Quality of leadership and quality of managers		.31 (4.67***)	.30 (4.57***)		.07 (.96)	.08 (1.09)		.25 (3.32**)	.25 (3.33***)
6 Quality of employees		.11 (1.86)	.12 (2.03*)		.42 (5.95***)	.41 (5.77***)		-.06 (-.84)	-.06 (-.82)
7 Stress when contacting PA		.06 (1.25)	.05 (1.15)		-.13 (-2.50*)	-.13 (-2.44*)		-.06 (-1.26)	-.07 (-1.34)
<i>Control variables</i>									
8 Gender (female)			-.06 (-1.39)			-.02 (-.42)			-.12 (-2.31*)
9 Income			-.10 (-2.11*)			.03 (.63)			-.12 (-2.26*)
10 Neighbourhood (high class)			.07 (1.59)			-.09 (-1.65)			-.04 (-.76)
R ²	.46	.54	.56	.24	.39	.39	.38	.41	.44
Adjusted R ²	.45	.53	.54	.22	.37	.37	.37	.40	.41
F	52.48**	40.02**	29.31**	18.59**	21.28**	15.26**	37.37**	23.98**	18.07**
ΔR ²	-	.08	.02	-	.15	.00	-	.03	.03
F for ΔR ²	-	16.63**	4.13**	-	22.73**	.00	-	4.63**	4.83**

N = 248-281 due to missing values

* p ≤ .05

** p ≤ .01

*** p ≤ .001

became insignificant in the final model. Step 2 showed a positive relationship between quality of leadership and management, and responsiveness ($\beta = .31$, $p < .001$) and step 3 induced a positive relationship between quality of employees and responsiveness ($\beta = .12$, $p < .05$). In addition, those with high income perceived PA as less responsive compared to those with low income. These findings support the relationship between the above variables and general responsiveness. Explained variance after step 1 was 46 per cent. Step 2 contributed 8 per cent to this value and an additional 2 per cent of step 3 brought the total explained variance of the entire regression model to 56 per cent. This value is high and implies that the prediction of general responsiveness by the suggested set of independent variables is good and meaningful. Moreover, variables from the first group (policy and culture) were dominant and contributed a higher proportion of variance compared with the other variables. This finding emphasizes the importance of policy and culture variables in explaining general responsiveness.

The second regression examined predictors of citizens' satisfaction with service. Step 1 yielded three significant relationships. Satisfaction with service was positively related to ethics and entrepreneurship ($\beta = .24$, $p < .001$ for each of the variables) and negatively related to organizational politics ($\beta = -.13$, $p < .05$). Step 2 added the human resource variables into the equation. This caused the disappearance of all previous significant relationships. In addition, satisfaction with service became positively related to quality of employees ($\beta = .42$, $p < .001$) and negatively related to stress when contacting PA ($\beta = -.13$, $p < .05$). The effect of step 3 on the final model was minor. These findings partially support the relationships between satisfaction with service, ethics, entrepreneurship, and organizational politics. While these relationships were quite strong after step 1, they were also inconsistent and became insignificant in the following steps. However, the relationships between satisfaction with service, quality of employees, and stress were consistent. The explained variance after step 1 was 24 per cent and increased up to 39 per cent after steps 2 and 3. This finding shows that human resource constructs significantly contribute to the explanation of satisfaction from service in PA.

The third regression tested satisfaction with the operation of PA. After step 1, this variable was found to have a strong and positive relationship with entrepreneurship ($\beta = .52$, $p < .001$) and negative relationship with business orientation and organizational politics ($\beta = -.13$, $p < .05$ and $\beta = -.14$, $p < .05$ respectively). However, only the relationship between entrepreneurship and satisfaction with operation remained consistent after step 2 ($\beta = .43$, $p < .001$), while an additional relationship appeared between satisfaction with operation, and quality of leadership and management ($\beta = .25$, $p < .01$). These relationships remained stable even after step 3 in which gender and income showed a negative relationship with satisfaction with operation ($\beta = -.12$, $p < .05$ for each of the variables). In the third equ-

ation, step 1 contributed 38 per cent of the total explained variance while each one of step 2 and 3 contributed an additional 3 per cent. Thus, the total explained variance for the variable satisfaction with operation by all the independent variables summed at 44 per cent. These findings provide support for the relationships between citizens' satisfaction with the operation of PA, entrepreneurship, and quality of leadership and management.

The findings also show that each of the independent groups of variables significantly contributes to the understanding of PA's responsiveness. In all the three regression models described up till now, policy and cultural factors were more important than human resource and quality of public servants. However, at the same time, all of the regression models showed that the importance of policy and culture also dropped when human resource factors and quality of staff considerations were involved. The implications of all these findings will be discussed in the last section of this article.

DISCUSSION

While Perry and Kraemer (1983) see the roots of public management as contained in Woodrow Wilson's essay on *The Study of Public Administration* (1887), it was only a century later that business orientation in PA became of major interest for governments, politicians, media, and citizens. However, factors which may affect the responsiveness of PA have not been systematically analysed before. The main goal of this study was to try and narrow the gap between the normative and the positive approaches to PA, and to suggest some plausible explanations for citizens' perceptions of responsiveness in public organizations. The findings generally support a basic assertion that different variables are involved in this process. The study also implies that PA theory may benefit from the separation of these variables into at least two different groups: policy and culture, and human resources and the quality of public servants.

It is clear that on the edge of a new millennium, modern democracies cannot prosper without minimum standards of efficiency, economy and cost-benefit of internal operation in PA. However, the findings of this study show that the business orientations of a city's agency have some negative effects on perceptions of general responsiveness, and almost no effect on citizens' satisfaction with services or operation. These findings may be interpreted in two ways. First, high or sometimes excessive business orientations of PA may lead towards a decrease in responsiveness capabilities in terms of speed and accuracy. When economic considerations are dominant and dictate a rapid, business-like operation of PA, the quality and accuracy of human services may be damaged. On the other hand, taking a more realistic view, business orientations do not necessarily conflict with citizens' demands as reflected in satisfaction indicators. They may even conform to citizens' requirements for an effective and efficient PA, or careful spending

of taxpayers' money, as long as PA remains sensitive and aware of citizens' social needs.

While previous studies provided theoretical reasoning for the relationship between ethics and performance in PA (Balk 1985; Cohen and Eimicke 1995), this study is suggesting some empirical evidence in that direction. As well as business orientations, ethics in PA showed a consistently positive relationship with general responsiveness but not with the satisfaction indicators. The findings show that citizens who believe that public policy is implemented according to clear ethical standards also perceive PA as more responsive and sensitive to their demands. No support was found for a relationship between ethics and satisfaction from operation, yet, some relationship was found between ethics and satisfaction with service. Some of these relationships are also relevant for the variable of organizational politics. Citizens who believe that PA involves internal political manoeuvring which contradicts fairness and standards of equity reported lower responsiveness to PA, lower satisfaction with service and operation. The findings regarding the negative relationship between internal politics and performance are consistent with much evidence from organizational behaviour theory which found this variable to be a good predictor of negative behavioural intentions and low satisfaction levels among employees in private and public organizations (Bozeman, Perrewe, Kacmar, Hochwarter and Brymer 1996; Ferris and King 1991; Drory 1993). However, since both relationships disappeared in the second and third steps of the equation, the implication may be that they are not stable and are heavily influenced by other factors in the environment such as human resource and quality of staff. Therefore, the findings regarding these variables should be treated with caution.

The fact that entrepreneurship showed a more consistent relationship with responsiveness and satisfaction is noteworthy. This finding indicates the importance of flexibility, creativity and acceptance of change in public agencies and is much in line with recent literature on new public management which calls for the encouragement of such processes (Du-Gay 1994; DeLeon 1996; Bozeman 1993; Osborne and Gaebler 1992; Farnham and Horton 1993). According to the current findings, citizens show concern with stagnation in PA. They may interpret lack of initiation or entrepreneurship as 'walking back in time' and feel that it damages PA's capability to respond to their needs.

Among the human resource factors it was found that citizens' perceptions on the quality of leadership and management were more related to general responsiveness and to satisfaction with operation while feelings of stress were more related to satisfaction with service. The relationship between quality of employees, stress, and satisfaction from service is not surprising and can be explained by the more intimate connections that employees have with the public. When services are delivered by well-qualified employees who have faith and trust in the operation of the public organization, citizens

receive a more adequate treatment which is directly reflected in satisfaction with service. These findings may also have another explanation. According to this view, citizens draw a clear line between quality of services and quality of operation in PA. It may suggest that PA can operate efficiently, effectively and respond directly to citizens' needs yet at the same time provide poor services in its offices by inadequate employees. The relationship between stress and satisfaction with service may also imply that more responsiveness and satisfaction can be obtained by narrowing the psychological gap between public institutions and individuals. While political, structural, and cultural restraints will always continue to dominate the operation of large bureaucracies they should still try and reduce formality when possible and create a more supportive environment for those citizens who need it. Stress and avoidance from contacting PA may result in lower levels of satisfaction with services and unnecessary tension which brings no benefit to the individual or to the entire public system.

To explain the importance of public leadership and management we referred to Lane (1987) who compared leadership in private and public organizations. Lane claims that leadership in public management is more difficult than in business and complicated in many respects. This is the result of different organizational design, structure, objectives, evaluation, openness of procedures, rules, predictability, technology, and professionalism. Leadership style in public organizations is also less innovative and based on unique motivation (Jonsson 1985). It is highly stable (Kaufman 1976), powerful (Olsen 1983), and less entrepreneurial. Even more important is the relationship between public leadership and citizens as consumers/clients. Lane's theoretical argument is that public leadership shows less sensitivity to citizens'/consumers' demands simply because the latter do not have the option of exit (Hirschman 1980). While private sector leadership is dependent on an exchange relationship with the consumer, public leadership relates to citizens on the basis of authority. That makes private managers more sensitive to short-term changes in consumers' demands while public leadership remains less responsive in the short-run.

The comparison between leadership in private and public organizations is based on sound theoretical grounding. Nonetheless, empirical evidence is scarce. The findings of this study provide some support for the notion that quality of leadership and management in public organizations is more related to citizens' satisfaction with PA's operation and to general responsiveness, than to satisfaction with service. A strong positive relationship exists between senior managers' professionalism, citizens' satisfaction with operation, and PA's responsiveness. Thus, the findings emphasize the need for better recruiting and training systems for senior administrators in the public service.

In this study, an estimate was made of the relative contribution of each one of the independent groups of variables to the explanation of PA's responsiveness. As the findings show, policy and cultural factors were more

effective in explaining responsiveness and satisfaction in comparison with human resource variables and quality of public servants. However, the human resource variables considerably and consistently raised the total explained variance in all of the dependent variables. More important is the fact that human resource variables caused a moderation in the effect of policy and culture on responsiveness and satisfaction.

These findings are much in line with contemporary HRM approaches which encourage the integration of *personnel* management into the corporate strategy of the public organization. The general HRM approach stresses that performance is related to the commitment of each employee which can be achieved through better recruiting procedures, emphasis on training at all levels, regular staff appraisal and rewarding performances (Parsons 1995, p. 555). This study argues that another important way of developing commitment among public personnel is by providing them feedback to check on their quality. A necessary source for such feedback lies in citizens' evaluation of the responsiveness of PA as an organization as well as the responsiveness of its members. The suggestion is that while policy and culture continue to play a crucial part in postulating citizens' satisfaction and perceptions of PA responsiveness, the human side of PA makes its own independent and important contribution. Therefore, PA would benefit from an integrative strategy which considers quality of policy, programmes and culture, as well as the quality of leadership and employees. Public servants' qualifications may create a helpful and kind environment that sometimes can cover for errors or problems in public policy or equivalent cultural characteristics.

An additional contribution of this research is the suggestion of some operative measures for further empirical study of PA. While an effort was made to find established scales for the measurement of the research variables, such scales were not always available in PA's literature. Thus, an attempt was made to use scales which are well grounded in theoretical definitions and similar variables from general management literature. That was the case in examining general responsiveness, satisfaction, ethics, entrepreneurship, stress, and the quality of public servants. However, the scales chosen showed good validity and reliability which imply that they can be used in further studies as well. These studies will also benefit from trying to extend the conceptual operationalization and more comprehensively allow the investigation of each variable.

As was argued by Wildavsky (1979), public organizations tend to have goals that are difficult to quantify, meaning that it is difficult to measure their outcomes. Considering this, measuring responsiveness of the public sector as perceived by its own clients/citizens is more of a necessity than just another option for measuring performances in PA. Drawing on a document from the Local Government Training Board (LGTB) in Britain, Palfrey *et al.* (1992, p. 132) suggested that responsiveness and the idea of 'getting closer to the public' must involve a profound examination of the public's

views on a range of issues. For example, it is necessary to find out the public's preferences and priorities, the kind of services they want, expect and need, their views on the quality of service and their experience as customers, the image they have of the local authority and the things they would like to be done better or differently. This information, when used appropriately, is valuable for every public agency. It can help to improve future policy and administrative actions while providing citizens with better 'value for money'. For this purpose, it is important that administrators and scholars alike will look for reasons of variation in the public will. Questions such as what affects citizens' perceptions of PA's responsiveness and how citizens' satisfaction transforms during policy determination and implementation may help in: (1) initiating a more effective and service-oriented public bureaucracy, (2) improving decision-making processes and the management styles of administrators, and (3) establishing some well-grounded criteria for better responsiveness in the public sector.

Limitations of the study and recommendations for further research

Several limitations of this study should also be noted. First, and most importantly, the data was collected in an Israeli setting which is different from the North-American or even the European setting. Therefore, the results might have been affected by cultural and structural factors unique to Israel. For example, the Israeli public sector is markedly different from the American and European. It is more conservative and centralized, and for many years it faced problems typical of relatively new democracies. Thus, this research should be replicated in other settings before firm conclusions can be made. Second, the design of this research is based mainly on self-report data, which are subject to measurement biases such as common method error. While this approach is not infrequent in public sector analysis it has its advantages as well as weaknesses. Therefore, future research on the responsiveness of PA would benefit from more objective measures of PA's responsiveness (for example examining public spending or evaluating the way in which distribution of goods and services is made). Third, this study examined citizens' perceptions at one point in time and should be replicated to reveal trends and developments in public opinion on PA. This is recommended also for theoretical purposes as well as for the practical objectives of public administrators and policy makers alike. Fourth, the theoretical separation of our independent variables into two groups (policy and culture, and human resource) may be criticized as too vague. Some alternatives can be provided as to other classifications of determinants of responsiveness. However, we believe that our model serves the parsimoniousness criteria that is so desired in studies of this kind. We also have confidence that it may be used and developed in further studies on responsiveness to citizens' demands.

Despite its limitations, the findings of this study have demonstrated the usefulness of examining two groups of variables as antecedents of respon-

siveness in PA. Up to now, research on responsiveness has followed a normative approach. This study expanded on the advantages of using an empirical method. However, more work is needed in this area. Questions on the relative effect of policy, culture and human resource considerations (together or individually) should include more variables to better represent the contextual setting for defining the antecedents of responsiveness. In this study only seven variables were used. They may be replaced in future studies with other variables which reflect more reliable and valid measures required for understanding the causes of responsiveness. Moreover, a sample of residents in one city allows us to draw upon specific implications in a particular local government. More studies are needed to compare these findings with other public organizations. Hence, the contribution of the study lies in its pointing some new directions to better explain the responsiveness of public agencies to citizens'/consumers' demands in light of the new public management approach.

ACKNOWLEDGEMENT

The author would like to thank C.M. Wilkinson and S. Hillel for their useful remarks on an earlier version of this manuscript. The project was supported by a Scholarship of the British Council. An earlier version of the paper was presented at the 60th Conference of the American Society for Public Administration, Orlando, FL, April 1999.

REFERENCES

- Anthony, R.N. and D.W. Young. 1984. *Management control in nonprofit organizations* (3rd edn.). Homewood. Richard D. Irwin
- Balk, W.K. 1985 'Productivity improvement in government agencies: An ethical perspective', *Policy Studies Review* 4, 475-83.
- Bozeman, B. 1993 *Public management*. San Francisco. Jossey-Bass.
- Bozeman, D.P., P.L. Perrewé, K.M. Kacmar, W.A. Hochwarter and R.A. Brymer. 1996 'An examination of reactions to perceptions of organizational politics'. Paper presented at the 1996 Southern Management Association Meetings, New Orleans
- Carter, N. 1989. 'Performance indicators: "backseat driving" or "hands off" control?' *Policy and Politics* 17, 131-8
- Cohen, J. and P. Cohen. 1983. *Applied multiple regression/correlation analyses for the behavioural sciences* (2nd edn.). Hillsdale, NJ: Lawrence Erlbaum
- Cohen, S. and W.B. Eimucke. 1995. 'Ethics and the public administrator', *Annals of the American Academy of Political and Social Science* 537, 96-108
- Crank, J. 1991. 'Work stress and job dissatisfaction in the public sector: an examination of public safety directors', *Social Science Journal* 28, 85-100.
- DeLeon, L. 1996. 'Ethics and entrepreneurship', *Policy Studies Journal* 24, 495-510.
- DHSS. 1979 *Patients first*. London: HMSO
- Drory, A. 1993 'Perceived political climate and job attitudes', *Organizational Studies* 14, 59-71
- Du-Gay, P. 1994. 'Making up managers: bureaucracy, enterprise and the liberal art of separation', *British Journal of Sociology* 45, 655-74
- El-Bassel, N., N. Guterman, D. Bargal and H. Su-Kuo. 1998 'Main and buffering effects of emotional support on job and health related strains: a national survey of Israeli social workers', *Employee Assistance Quarterly* 13, 1-18.

- Farnham, D and S Horton (eds.). 1993 *Managing the new public services* Basingstoke. Macmillan.
- Ferris, G R and K.M. Kacmar. 1992. 'Perceptions of organizational politics', *Journal of Management* 18, 93-116
- Ferris, G.R. and T.R. King 1991. 'Politics in human resources decisions a walk on the dark side', *Organizational Dynamics* 20, 59-71
- Friesen, D and J C Sarros. 1989 'Sources of burnout among educators', *Journal of Organizational Behaviour* 10, 179-88.
- Gawthrop, L C 1976. 'Administrative responsibility' public policy and the Wilsonian legacy', *Policy Studies Journal* 5, 108-13
- Gladstone, D. (ed.). 1995 *British social welfare: past, present and future* London: UCL Press
- Gunn, L. 1984. 'Conceptions of public management', Conference on Public Management, The Hague.
- . 1987. 'Perspectives on public management', pp. 33-46, in J. Koorman and K.A. Eliassen (eds.), *Managing Public Organizations*.
- Hampton, J 1986 *Hobbes and the social contract tradition*. Cambridge. Cambridge University Press.
- Hart, D.K. and N.K. Grant 1989 'A partnership in virtue among all citizens the public service and civic humanism, response to David Kirk Hart', *Public Administration Review* 49, 101-7.
- Hirschman, A.O. 1980 *Exit, voice and loyalty: responses to decline in firms, organizations and states* Cambridge: Harvard University Press
- Holzer, M. 1989 'Public service present problems, future prospects', *International Journal of Public Administration* 12, 585-93.
- Holzer, M and J. Rabin 1987 'Public service: problems, professionalism, and policy recommendations', *Public Productivity Review* 43, 3-13.
- Israel, B., J S House, S.J. Schurman, C.A. Heaney and R.P. Mero 1989. 'The relation of personal resources, participation, influence, interpersonal relationship and coping strategies to occupational stress, job strains and health' a multivariate analysis', *Work and Stress* 3, 163-94.
- Jayarathne, S. and W A Chess 1984. 'The effects of emotional support on perceived job stress and strain', *Journal of Applied Behavioural Science* 20, 141-53.
- Jonsson, E 1985. 'A model of a non-budget-maximizing bureau', in J.E. Lane (ed.), *State and market* London Sage.
- Kacmar, K.M. and D.S. Carlson. 1994. 'Further validation of the perceptions of politics scale (POPS): a multiple sample investigation'. Paper presented at Academy of Management meeting in Dallas, Texas
- Kacmar, K.M. and G R Ferris. 1991. 'Perceptions of organizational politics scale (POPS): development and construct validation', *Educational and Psychological Measurement* 51, 193-205.
- Kanter, R.M. and D V. Summers 1987 'Doing well while doing good dilemmas of performance measurement in nonprofit organizations and the need for a multiple-constituency approach', pp. 98-110, in W.W. Powell (ed.), *The non-profit sector: a research handbook* New Haven: Yale University Press
- Kaufman, H. 1976. *Are government organizations immortal?* Washington, DC: Brookings Institution.
- Lane, J.E. 1987 'Public and private leadership', pp. 47-64, in J. Koorman and K A. Eliassen (eds.), *Managing public organizations*
- Local Government Training Board. 1987 *Getting closer to the public*. Luton LGTB.
- Luu, T T and T.L. Cooper. 1997. 'Values in flux administrative ethics and the Hong Kong public servant', *Administration and Society* 29, 301-24
- National Consumer Council. 1986 *Measuring up consumer assessment of local authority services*. London. NCC
- Olsen, J P 1983. *Organized democracy* Oslo: Universitetsforlaget
- Osborne, D and T Gaebler 1992 *Reinventing government* New York: Plume
- Palfrey, C, C Phillips, P. Thomas and D Edward 1992 *Policy evaluation in the public sector*. Hants: Avebury
- Parker, C.P., R.L. Dipboye and S.L. Jackson 1995. 'Perceptions of organizational politics an investigation of antecedents and consequences', *Journal of Management* 21, 891-912
- Parsons, D W 1995. *Public policy* Cheltenham: Edward Elgar
- Perry, J I and K.L. Kraemer (eds.) 1983. *Public management public and private perspectives* CA: Mayfield Publishing Co
- Pollitt, C 1988 'Bringing consumers into performance measurement', *Policy and Politics* 16, 77-87.
- . 1990 'Performance indicators, root and branch', in M. Cave, M. Kogan and R. Smith (eds.), pp 167-78. *Output and performance measurement in government the State of the Art*. London Jessica Kingsley

- Punch, K. and E. Tuettelman 1996. 'Reducing teacher stress. the effect of support in the work environment', *Research in Education* 56, 63–72.
- Rhodes, R.A.W. 1987 'Developing the public service orientation, or let's add a soupçon of political theory', *Local Government Studies* (May–June), 63–73.
- Richardson, W.D. and L.G. Nigro. 1991. 'The constitution and administrative ethics in America', *Administration and Society* 23, 275–87.
- Rourke, F.E. 1992 'Responsiveness and neutral competence in American bureaucracy', *Public Administration Review* 52, 539–46.
- Smith, P. 1993 'Outcome-related performance indicators and organizational control in the public sector', *British Journal of Management* 4, 135–51.
- Staats, E.B. 1988. 'Public service and public interest', *Public Administration Review* 48, 601–5.
- Stewart, J. and R. Ranson. 1994. 'Management in the public domain', pp. 54–70, in D. McKevitt and A. Lawton (eds.), *Public sector management*. London: Sage.
- Stivers, C. 1994. *Gender images in public administration: legitimacy and the administrative state*. CA: Sage.
- Suzuki, P.T. 1995. 'Public sector ethics in comparative perspective', *Annals of the American Academy of Political and Social Science* 537, 173–83.
- Thomas, P. and C. Palfrey. 1996. 'Evaluation. stakeholder-focused criteria', *Social Policy and Administration* 30, 125–42.
- Thompson, J.L. 1990. *Strategic management: awareness and change*. London: Chapman and Hall.
- Wildavski, A. 1979. *Speaking truth to power*. Boston, MA: Little, Brown and Co.
- Wilenski, P. 1980. 'Efficiency or equity: competing values in administrative reform', *Policy Studies Journal* 9, 1239–49.
- Wilson, W. 1887. 'The study of administration', *Political Science Quarterly* 2, 197–222.
- Winkler, F. 1987. 'Consumerism in health care. beyond the supermarket model', *Policy and Politics* 15, 1–8.

Date received 27 November 1998. Date accepted 20 August 1999.

Social Policy and Administration

Edited by Catherine Jones Finer

Social Policy and Administration is the longest established journal in its field. Whilst remaining faithful to its tradition in academic excellence, the journal also seeks to engender debate about topical and controversial issues. Typical numbers contain papers clustered around a theme. The journal is international in scope. Quality contributions are received from scholars world-wide and cover social policy issues not only in Europe but in the USA, Canada, Australia and Asia Pacific. Coverage includes: editorial comment; scholarly articles; multi-disciplinary and international research reports by academics, policy makers, administrators, and field workers; review articles by well-known scholars and writers, and lists of new books in the field.

Social Policy and Administration ISSN: 0144-5596. Volume 34 (2000) contains 5 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk



108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

EXPENDITURE INFLEXIBILITY IN THE STATE BUDGET: THE FISCAL POLICY LATITUDE OF THE COUNCIL OF STATE IN FINLAND

PENTTI MEKLIN, JUHA LIINAVUORI AND JUKKA NUMMIKOSKI

This paper deals with expenditure inflexibility, which has a crucial bearing on the fiscal latitude which the government has in the preparation of the Finnish state budget. The government's fiscal latitude, i.e. the possibilities available to the government to increase, decrease or change state expenditures is restricted by various mechanisms. The source material used in this study consists of budget documents and interviews with officials involved in preparing the budget; use was also made of earlier studies relating to this subject.

Our major findings fall into three groups. (i) If the degree of inflexibility is used as a basis for classification, four classes of expenditure can be identified in the Finnish state budget: expenditure controlled by statute, expenditure controlled by agreement, expenditure controlled by authorization and expenditure without formal control. (ii) In the budget for 1996, 92 per cent of expenditure was controlled in various ways, leaving only 8 per cent that was flexible. The conclusion can be drawn from this that without changing the mechanisms that bind expenditures, the government's ability to alter fiscal policy in the budget of a single year is very limited. In the 1990s the proportion of statute-controlled expenditures has decreased and the proportion of agreement-controlled and authorization-controlled expenditures has increased. Nevertheless fiscal latitude has grown. (iii) The material used for comparison showed that there is a similar problem in other countries, but that the mechanisms governing expenditure inflexibility and the fiscal latitude that governments may enjoy can vary.

INTRODUCTION

During the last few decades in different countries the state budget has to an ever-increasing degree become an instrument of control in the public economy and in the national economy as a whole (see Schick 1990a; and Wildavsky and Jones 1994). The share of the public sector in the national economy has grown rapidly in many countries, and major changes in a national economy can happen very quickly. Many national economies have suffered from unemployment, a reduction in national product, problems in the balance of current accounts and public sector deficit problems. At the same time, the political leaders of these countries are expected to solve such problems, and in this the state budget is a central instrument (Leonard *et al.* 1995).

Pentti Meklin is Professor of Local Public Economics; Juha Liinavuori and Jukka Nummikoski are research students in the Department of Local Government Studies at the University of Tampere, Finland.

The initial stimulus to this study was the observation that in fact the government does not have much influence over the budget-drafting process, because the expenditures have been fixed beforehand by statutes and other binding mechanisms. Our main idea was to study the inflexibility of budget expenditure and then the focus of our research shifted to the question of how much *fiscal policy latitude* there is in the budget-drafting process. It is precisely the inflexibility of expenditure which restricts fiscal policy latitude, and so the study of the latter illuminates the former. The *inflexibility of expenditure* means that the state budget expenditures are determined by some statute, agreement or obligation which makes the inclusion of an expenditure in the budget mandatory. The control of expenditure can be real (political realities) or formal.

The object of our research is the *formal* inflexibility of expenditure. An essential factor affecting inflexibility is the period of time over which it is monitored. When the period of time is long, there is less inflexibility, because in principle it is even possible to change all the statutes. An important practical situation where fiscal policy latitude is needed is the drafting of the next year's budget. For this reason this research concentrates on latitude and inflexibility in the short run, in other words, on a situation where the government is drafting the next year's budget.

Change has occurred in recent years. As expenditure inflexibility has been charted before, we seek to ascertain how expenditure inflexibility mechanisms have changed in recent years. Our study has three main objectives:

- (i) to ascertain and classify the expenditure inflexibility mechanisms and any change in their composition and relative size between 1990 and 1996;
- (ii) to ascertain how big the proportion of the various types of inflexible expenditures was in the state budget for 1996 and how that proportion has changed between 1990 and 1996; and
- (iii) to ascertain what examples can be found of expenditure inflexibility in other countries.

RESEARCH METHODS AND MATERIALS

This research began by examining earlier studies on the subject, in search of inflexibility classifications for expenditure. As we are dealing with formal inflexibility created by existing statutes, we composed a classification of expenditure inflexibility mechanisms and studied the degree of flexibility in these classes according to the Finnish judicial system. At the same time, we also examined the changes which have taken place in the inflexibility mechanisms during the last few years. Using these findings and working together with a consultant group from the Finnish Ministry of Finance, we arrived at an inflexibility classification (Research Objective (i)) (table 2)

which was different from previous classifications because of the changes in the inflexibility mechanisms.

After that, we applied the classification to expenditures in the Finnish national budget proposals of 1996 in the inflexibility classification given below, and compared the proportion of the inflexible expenditure with that found by earlier research. Finally, we tried to elucidate the proportion of inflexible expenditures and how that proportion has changed (Research Objective (ii)). The validity of the placing of the expenditures in the inflexibility classification was ascertained by having the person in the Finnish Ministry of Finance responsible for each administrative sector (for example Agriculture and Forestry, Interior, Defence, Labour, etc.) examine the placement of expenditures which we had made. In this way we were able to make certain that the person having the best qualifications was responsible for the placement of expenditures.

Alongside the empirical investigation of the situation in Finland, we tried to collect comparative material from other countries, although we were not able to find very much, even though a similar problem exists in many countries

PREVIOUS RESEARCH ON THE INFLEXIBILITY OF BUDGET EXPENDITURES IN FINLAND

In Finland, earlier studies on the inflexibility of expenditure date from 1964 (Ministry of Finance 1964), 1984 (Asumalahti), and 1992 (Nummikoski). In the last two, expenditure inflexibility is analysed by means of a classification consisting of the following four groups. The first class is composed of statutory expenditures. The second class consists of expenditure controlled by agreement, and the third one of discretionary expenditure controlled by statute. The last class is composed of expenditure without immediate formal inflexibility.

The earlier Finnish studies examine the inflexibility of expenditure in 1980, 1985 and 1990, and use the financial statements by the government from 1980 as well as the national budget proposals from 1985 and 1990 as source material. The results from the previous research concerning expenditure inflexibility appear in table 1. The greater part of the expenditure in the table consists of inflexible expenditures. These expenditures are con-

TABLE 1 *Inflexibility of expenditures in Finland's National Budget (as % of total) according to the studies 1984 and 1992*

	1980	1985	1990
Inflexible	68	73	75
Partially flexible	9	8	12
Wholly flexible	23	19	13
Total	100	100	100

Source: Asumalahti 1984 and Nummikoski 1992.

trolled by laws and agreements. As far as these expenditures are concerned, the government has hardly any fiscal policy latitude. Regarding the partially flexible expenditures, the government possesses a little fiscal policy latitude. As to the third group, the government is completely free to practice any financial policy that it wishes.

THE EVOLUTION OF THE INFLEXIBILITY CLASSES

At first, our intention was to use for 1996 the same classification for expenditure inflexibility as was used in the earlier studies, but this was not possible owing to the many changes that had taken place since 1990. For this reason we devised a new, more relevant classification.

There have been many fundamental *changes* and *reforms* in the Finnish public sector that have affected expenditure inflexibility. The most significant ones have been the reform of basic rights and the abrogation of a set of provisions on leaving a bill in abeyance. Before the latter provisions were abrogated, a minority group's economic and social rights were primarily secured by leaving a bill in abeyance and not by the Constitution's basic rights provision, as had happened in many other countries comparable to Finland. The leaving of a bill in abeyance was problematic in the management of the state economy, because, according to the provisions, a parliamentary minority of one-third could vote to put a bill into abeyance until after the next elections. The leaving of a bill in abeyance was often directed at laws making expenditure cuts introduced in connection with the budget proposal. When cut-backs were thus so difficult to make, almost the only means available to balance the budget was to increase state borrowing or enact new tax laws. In time, the set of provisions on leaving a bill in abeyance was amended several times, and it was finally abolished at the end of 1995. Basic economic and social rights that were earlier secured by these provisions were incorporated into the Constitution through the basic rights reform (Liinavuori 1996).

The abrogation of the provisions on leaving a bill in abeyance has improved the ability of the Council of the State to influence the magnitude of expenditure in the budget through expenditure law amendments. Therefore, statutory expenditure can no longer be considered to be as inflexible as during the period when the provisions were in force. However, one exception to this is constituted by statutory expenditure that provides basic income security as defined in the Constitution: bills concerning this form of expenditure have to be processed according to the order of procedure required for the enactment of constitutional legislation.

Other recent legislative changes that have influenced expenditure inflexibility include changes in the civil service legislation and the reform of the state grant legislation. The legislation on civil servants now includes 'collective grounds for giving notice' in accordance with the Contracts of Employment Act. On these grounds, a civil servant may be given notice for economic and production reasons, and so the inflexibility of personnel

expenditure can no longer be considered as great as it was before the legislative reform. In the reformed state grant system, grants to municipalities are mainly determined by calculations based on objective factors, such as the number or age-classes of inhabitants instead of the earlier principle of 'accepted expenditure level'. The aim of the reform has also been to remove the cost automation that was inherent in the old state grant system. In fact, state grants for municipalities have clearly decreased since the reform (Liinavuori 1996).

In recent years there have also been changes in the budget structure which have influenced expenditure inflexibility. One of these changes has been the removal of certain functions from the budget. A particularly striking development in the early 1990s was the number of budget-linked state offices which were changed into enterprises outside of the state budget. The establishment of extra-budgetary funds (for example the State Pensions Fund) has also been characteristic of the reforms that have occurred in the control of expenditure. The removal of functions from the scope of the budget has contributed to the decrease in inflexible expenditures in the state budget.

On the other hand, European Union membership has brought more expenditure inflexibility into the budget. Firstly, Finland pays her membership dues to the European Union; these are based on the gross domestic product and a value added tax base. Secondly, many expenditure items in the budget have become inflexible with respect to the Union's operational policy. This is especially visible in the administrative sector of the Ministry of Agriculture and Forestry. Other administrative sectors also have inflexible expenditure items with respect to EU structural and regional policies. Net budgeting and operational expenditure budgeting comprise other structural reforms to the budget that have influenced expenditure inflexibility.

Because of these changes we constructed four inflexibility classes of expenditure, which are shown in table 2. The mechanisms through which inflexibility operates were actually used as differentiation criteria. The order of the classes does not directly reflect the magnitude of inflexibility. It is important to notice that expenditures controlled by statutes are often considered highly inflexible, but the government, however, can change laws unilaterally when a sufficient political consensus exists. Instead, expenditures controlled by agreement are normally based on a bilateral agreement, which can be changed only if both the contracting parties agree. In this respect it is, in fact, more difficult to influence expenditures controlled by agreement than expenditure which the government itself controls by statutes.

The inflexibility classification includes four main classes: expenditure controlled by statute, expenditure controlled by agreement, expenditure controlled by authorization, and expenditure without formal control.

TABLE 2 *Expenditure in the 1990 and 1996 state budgets according to inflexibility classes, %*

Inflexibility class	1990	1996
1 EXPENDITURE CONTROLLED BY STATUTE	57	42
Constitution		12
Ordinary law		28
Amount of expenditure controlled		24
entirely		0
partly		4
free		
Administrative statute		2
Amount of expenditure controlled		2
entirely		0
partly		0
free		
2 EXPENDITURE CONTROLLED BY AGREEMENT	27	45
International agreement		18
Membership payments		2
EU-linked expenditure		6
Foreign currency debt expenditure		10
Labour market agreements		8
Finnish mark debt expenditure		18
Other commitments		1
3 EXPENDITURE CONTROLLED BY AUTHORIZATION	3	5
4 EXPENDITURE WITHOUT FORMAL CONTROL	13	8
TOTAL	100	100

Expenditure controlled by statute

These refer to expenditure resulting from laws or lower-level statutes, such as decrees or decisions by the Council of State. This class was divided into subclasses according to the level of statutes and further into groups according to how precisely the level of appropriations is fixed by the statutes.

Expenditure controlled by agreement

These consist of appropriated funds resulting from existing agreements binding the state. This class was also further divided into subclasses according to whether the expenditures were based on international agreements, labour market agreements or whether they were caused by the national debt.

Expenditure controlled by authorization

These include expenditure resulting from the use of authorization granted before 1996. All expenditures resulting from the use of earlier authorization have been placed in this class, whether the authorization is connected with expenditure controlled by law or agreement, or with discretionary expenditure.

Expenditure without formal control

These primarily consist of the expenditure of state offices other than consumption expenditures and investments concerning personnel.

The classes of this inflexibility classification and their proportion of the expenditure in the 1996 budget are presented in the following table. To facilitate temporal comparison, the table also includes figures from the earlier study carried out in 1990.

THE PROPORTION OF INFLEXIBLE EXPENDITURE IN 1996 AND ITS CHANGE SINCE 1990

The largest inflexibility class in 1996 comprises expenditure controlled by agreement (45 per cent). Within this class, the largest expenditure items are expenditures resulting from government loans (28 per cent). The proportion of expenditure controlled by statutes is 42 per cent: expenditures controlled by the Constitution cover 12 per cent of budget expenditure, expenditures controlled by ordinary laws account for 28 per cent, and expenditures controlled by administrative statutes for 2 per cent. The proportion of expenditure controlled by authorization and expenditure without formal control accounts for 5 per cent and 8 per cent, respectively.

We completed the picture on the fiscal policy latitude of the Council of State by examining how the expenditures of different administrative sectors were being controlled. The percentual distribution of inflexible expenditure in the overall total of the state budget proposal according to different administrative sectors is presented in table 5. It shows that the constitutional laws governing citizens' basic rights specifically control the expenditure of the administrative sectors of the Ministry of Social Affairs and Health, the Ministry of Labour and the Ministry of Environment. The expenditure of the administrative sectors of the Ministry of Justice, Ministry of the Interior and the Ministry of Agriculture and Forestry are controlled by special agreements. Expenditures controlled by authorization are particularly those of the administrative sectors of the Ministry of Defence and the Ministry of Trade and Industry. Expenditures of the Ministry of Transport and Communications, especially the construction and maintenance of the transport network, are without formal control.

In order to see how expenditure flexibility has developed, the 1996 figures can be compared with those of 1990 (see table 2). A comparison can only be made on the basis of the main classes, because the subclassifications differ in the years in question. The results of the comparison indicate that the proportion of expenditure controlled by statute in the new classification has decreased from 57 per cent to 42 per cent, while the proportion of expenditure controlled by agreement has increased from 27 per cent to 45 per cent. The proportion of expenditure controlled by authorization has slightly increased from 3 per cent to 5 per cent, whereas the proportion of expenditure without formal control has decreased from 13 per cent to 8 per cent.

EXPENDITURE INFLEXIBILITY IN THE INTERNATIONAL CONTEXT

The expenditure inflexibility problem is a familiar one in many countries and also in the EU. In the EU budget the terms compulsory and non-compulsory expenditures are used (article 203(4) and (9) EEC Treaty) (Commission of the European Communities 1995). The division is primarily a political one. It is a matter of decision-making power on the one hand between the EU's organs and on the other hand between the member states. The concrete affects of this classification on the EU's member states can be seen in the EU budget's biggest expenditure class, agriculture, which is taken to be compulsory expenditure.

This vague classification into compulsory and non-compulsory expenditures was clarified in 1982 (in a Joint Declaration). Then three organs (Parliament, the Council of Ministers and the Commission) proposed that compulsory expenditures are those which the organ using budgetary power has to include in the budget so that the Community can fulfil the internal and external obligations imposed by legislation and agreements. All other expenditures are non-compulsory (Commission of the European Communities 1994).

The classification was applied in accordance with what is called the first budget agreement in the 1975 budget, when Parliament achieved decision-making power over non-compulsory expenditure, and has been in use ever since. Thus the EU Parliament does have some controlling power over expenditure and in addition it is able to put forward its own priorities. The Council of Ministers decides about compulsory expenditure. The proportion of compulsory expenditure has decreased. As can be seen in table 3. At present about 50 per cent of expenditure in the EU budget is compulsory and 50 per cent non-compulsory (Laffan 1997).

Although the problem is known in EU-countries, only a few studies of it have been made, but in the USA there are some studies which use the concept of budget controllability (for example Widavsky and Jones 1994). These studies emphasizing controllability deal with inflexible expenditures, but they underline the judicial point of view. Instead, our study emphasizes the economic perspective and the judicial analysis of fiscal policy latitude receives less attention. In the following we will examine some specimen studies relating to state budget inflexibility in the United States and the Netherlands.

TABLE 3 *Expenditure inflexibility in the EU budget*

	1988	1989	1990	1991	1992
Compulsory	74	70	66	61	58
Non-compulsory	26	30	34	39	42
Total	100	100	100	100	100

Source: Strasser 1991.

In his study of the United States federal budget (which he bases on quantitative material), Weidenbaum (1965) estimates how much the Congress is able to influence federal expenditure. The influence was measured in terms of the possibility of controlling and significantly changing the President's budget proposals during the budgetary process. Weidenbaum classifies the appropriations into four categories according to controllability. The appropriations represented by each of the categories are relatively uncontrollable. The research does not, however, examine the differences in the degree of controllability between the categories.

According to Weidenbaum, the first category consists of *trust funds*, which include appropriations for social security for example. It is characteristic of the funds that they are financed by permanent appropriations, which do not require measures in the course of the budget year. According to Weidenbaum the appropriations of the funds are relatively uncontrollable.

The second category of uncontrollable expenditure in Weidenbaum's research is composed of appropriations whose common characteristic is that they are permanent and indefinite. As a typical *permanent appropriation* Weidenbaum mentions the payment of interest on the public debt. *Indefinite appropriations* are, for instance, pension contributions for civil servants. Indefinite appropriations allow a state office to consume a necessary sum if specially defined conditions are fulfilled on the part of the beneficiary. The third category consists of *fixed charges* caused by programmes the *levels of spending* of which are defined in statutes and not in the budgetary process. The largest programme in this category consists of pension payments and appropriations for veterans' benefits.

The fourth and last category of uncontrollable expenditure in Weidenbaum's research consists of appropriations for partially completed investments. A good example of this are the construction projects whose realization takes several years, and which it is economically unsound to leave unfinished because of the costs which the project has already incurred. Weidenbaum claims that, in simple terms, the almost unassailable justification for the appropriations for these amounts is the old question: '*What is the value of half a bridge?*'

In his research Weidenbaum arrives at a result according to which some 73 per cent of the 1965 budget appropriations (appropriations allocated for military purposes have been excluded from the study) were relatively uncontrollable. According to Weidenbaum the greater part of the appropriations of the annual budget are determined automatically on the basis of the decisions made during the previous years. Finally, Weidenbaum concludes that the possibilities for the Congress to control federal appropriations are considerably slighter than has been officially assumed.

More recent American research on the inflexibility of expenditure is represented here by Allen Schick's work *The Capacity to Budget* (1990b), in which he has devoted a few pages to the examination of *sticky expenditures*.

Borrowing from the concepts of economics, Schick uses the term *sticky*, which he explains by the fact that the closely related concepts *rigid* and *inflexible* in his opinion give a misleading impression that this kind of expenditure is totally inflexible. In fact, all expenditures are flexible if for instance the period of examination is long enough.

According to Schick, sticky expenditures result from treaties and other international commitments, bonds obligating the payment of principal and interest, contractual obligations to producers of services, entitlements recorded in the statutes, and other commitments. Characteristic of sticky expenditures is their tendency to drift upward. Schick concludes that most sticky expenditures are controllable. Controllability, however, requires that changes be made in various control mechanisms, for example in treaties and statutes.

Schick's research covers federal expenditure between 1981 and 1988. The objective was to study what proportion of the federal expenditure growth results from sticky expenditures. The research material consisted of the published federal budget data. The research results consist of the annual increase in sticky expenditure expressed as a percentage. According to Schick, despite the incompleteness and inaccuracy of the data, the study gives a clear picture of the development which has taken place. During the period of examination, each year the increase in state expenditure was expressly due to the growth of sticky expenditure.

In a study differing from Weidenbaum's (1965) and Schick's (1990b) methodological line on the controllability of the US federal defence expenditure, True (1995) comes to the conclusion according to which budget expenditure is controllable. Weidenbaum's and Schick's results on inflexibility and controllability are presented as percentages. Their studies emphasize the amount and increase of the inflexible or controlled expenditure. In True's research results, on the other hand, the time factor is emphasized. True's (1995) study is based on budget authority figures from the fiscal years 1969–1993. In his research, the more general policy changes affecting the federal budget in 1980–1993 were empirically tested using an interrupted time-series and two regression models. The starting point for True's analysis is the idea that policy decisions influence budgetary decisions, and thereby affect the level of budget authority, which again affect budget controllability.

According to True's study, instead of marginal changes in accordance with the incrementalist tradition, the federal budget has gone through a lot of large-scale changes associated with changes made in government policy. For that reason the budget was controllable at least in the years 1980–1981 and 1985–1986. True explains controllability by the fact that during the above-mentioned years at least, the federal budget fulfilled the function for which it was assigned.

In his research on the Netherlands, Kraan (1984) divides the inflexibility of expenditures into two classes: technical and political inflexibility. In the

short run the budget is inflexible in practice, but budget flexibility is still necessary, especially in a recession or depression. According to Kraan, inflexibility is mainly due to the growth of social security expenditure in the industrial countries. Inflexibility is said to be the price which must be paid for living in a welfare society.

Kraan (1984) defines flexibility as a possibility to phase, reduce or abrogate public expenditure in the budgetary decision-making process. Expenditures that are technically inflexible cannot be reduced in the short run because of the formal procedures associated with the expenditure, or the fact that the circumstances determining the expenditures are beyond the reach of political decision-making. A typical example of technically inflexible expenditures are those based on laws. These expenditures cannot be changed unless we change the laws regulating them. According to Kraan the expenditures in the first category are entirely flexible. The second category of technically inflexible expenditures consists of salaries based on collective labour and bargaining contracts of people working for the government or institutions predominantly dependent on government subsidies. The third category consists of expenditures that complement the whole, for example appropriations for partially completed investments. The expenditures in the second and third categories are, when viewed in the short-term examination, partly flexible.

According to Kraan, the political inflexibility of expenditures is induced by reasons that can be divided into two main categories. The first one consists of the programmes based on law, and the second one of the programmes based on political agreements or politically accepted prognoses. By politically inflexible expenditures based on law Kraan means expenditures that are difficult to change, because changing the law is a political act. The degree of flexibility of the politically inflexible expenditures depends each time on the legal status of the programme. A high legal status provides more security to different interest groups: people entitled to benefits, bureaucrats, politicians and the public at large. As to the second category, the degree of flexibility depends on budget practices, and especially on the timespan of the budget. In many countries budgeting is still today an annual practice. However, an annual budget includes forecasts for several coming years, and therefore forecasts discussed unofficially will suddenly receive 'official status' when they are included in the annual budgetary process. Especially when government expenditure should be reduced because of the economic situation, the forecasts for future years will often lead to the opposite and increase expenditures.

Kraan compares the results of his research with a study made in the Netherlands in 1980, concerning expenditure inflexibility. The results are presented below in table 4, where the expenditures are classified as inflexible, partly flexible and entirely flexible expenditures. In both the 1980 and 1982 studies, expenditure inflexibility is defined in the same way, but there

TABLE 4 *Expenditure inflexibility in the Netherlands national budget (as % of total) according to a study of 1980*

	1980	1981	1982	1983	1984
Inflexible	39	25	13	11	10
Partially flexible	58	69	80	81	81
Wholly flexible	3	6	7	8	9
Total	100	100	100	100	100

Source. Kraan 1984.

appear to be slight differences as to how expenditures are classified into different flexibility groups.

CONCLUSION

This study has analysed the inflexibility of expenditure in the Finnish state budget and the changes to this between 1990 and 1996. Inflexibility has a major bearing on the fiscal latitude available to the government when the budget is being prepared. The study shows that (Research Objective (i)) expenditure inflexibility mechanisms can be divided into four main classes; these distinguish between expenditure controlled by statute, expenditure controlled by agreement, expenditure controlled by authorization and expenditure without formal control. The composition and their relative size have changed between 1990 and 1996. For example, statutory expenditures, which were once regarded as being highly inflexible, are no longer as inflexible as they were at the beginning of the 1990s. The key factors behind this change were the abrogation of the provisions for leaving a parliamentary bill in abeyance and the reforms made to the civil service legislation. Thanks to the softening in the degree of expenditure flexibility, fiscal latitude has grown, and so the Council of State's ability to decide whether or not expenditure should be included in the budget or to alter the totals for budget expenditures has improved.

The study has demonstrated (Research Objective (ii)) that when the state budget is analysed in percentage terms, expenditure flexibility seems to have changed during the 1990s in two ways. First of all, the proportion of expenditures without formal control has decreased, or, put another way, inflexibility deriving from inflexibility mechanisms has increased. In 1990, 87 per cent of expenditures were determined by laws, lower-level statutes, agreements or other obligations, while in 1996 the corresponding figure was 92 per cent. Secondly, the proportion of statute-controlled expenditures has decreased and that of agreement-controlled and authorization-controlled expenditures has increased.

Lastly (Research Objective (iii)), this study indicated that the question dealt with here is a topical one in many countries, but as yet little research appears to have been carried out. Expenditure inflexibility mechanisms have been classified either generally or else on a basis specific to a certain

TABLE 5 *The percentual distribution of expenditure into inflexibility classes according to administrative sectors in the 1996 budget*

Administrative sector	Ministry of	% of budget	Class 1 Expenditure controlled by statute					
			Constitution			administrative statute		
			ordinary law			amount of expenditure controlled		
			entirely	partly	free	entirely	partly	free
Foreign Affairs		1			7			
Justice		1	7	3				
Interior		3	20		1			
Defence		4						
Finance		12	48					
Education		12	66		3			
Agriculture and Forestry		6	4					1
Transport and								
Communications		3	1		9			
Trade and Industry		2	1		1		3	5
Social Affairs and Health		21	51	2				
Labour		5			44	2	2	2
Environment		2			3	19		1
National debt		28						
Total %		100						

TABLE 5 *Continued*

Administrative sector	Class 2 Expenditure controlled by agreement							Class 3 Expenditure controlled by authorization	Class 4 Expenditure without formal control	Total %
	international agreement					Finnish mark debt commitments				
	% of budget	membership payments	EU-linked expenditures	foreign currency debt	labour market agreements					
Ministry of										
Foreign Affairs	1	12			13		49	19	100	
Justice	1				58			32	100	
Interior	3		11		51			17	100	
Defence	4				35		41	24	100	
Finance	12	23			5	5	1	15	100	
Education	12		1		18		3	9	100	
Agriculture and Forestry	6		81		6	2	2	4	100	
Transport and Communications	3				26		17	47	100	
Trade and Industry	2	2	6		11	14	43	14	100	
Social Affairs and Health	21				1		1		100	
Labour	5		12		5		3	5	100	
Environment	2				9		16	8	100	
National debt	28			35		65			100	
Total %	100								100	

country, but we could not find any research that dealt with the problem on a very concrete level. Some reports from the countries we looked at revealed that problems similar to those in Finland can be found elsewhere. The issue of expenditure inflexibility has also been considered within the administration of the EU. Notwithstanding the limited amount of evidence available, it seems clear that in actual practice expenditure inflexibility mechanisms and fiscal latitude do differ between countries because of their different administrative systems; the differences would seem to be especially marked between countries with a common law-based system and those with a statute law-based one.

REFERENCES

- Asumalahti, Esko 1984 *Valtion menojen sidonnaisuus*. Helsinki. Valtiovarainministerio, Budjetti- osasto [*Inflexibility of state expenditures* Helsinki Ministry of Finance, Budget Department Unpublished Working Paper]
- Commission of the European Communities. 1995. *European Union public finance The characteristics, rules and operation of the European financial system* Brussels. Office for Official Publications of the European Communities
- 1994. *The Community budget. the facts and figures*
- Kraan, D J 1984 'Towards more flexibility of government expenditure: some recent developments in the Netherlands', *Policy Sciences* 16, 4, 413–27
- Laffan, Brigit. 1997. *The finances of the European Union* The European Union Series London. Macmillan
- Leonard, Brad, Joe Cook and Jane McNeil 1995 'The role of budget and financial reform in making government work better and cost less', *Public Budgeting & Finance* 15, 1, 4–26
- Lunavuori, Juha 1996 'Valtion talousarvion sisältämien sidottujen menojen vaikutus valtio-neuvoston finanssipolittiseen liikkumavaraan ja suuna 1990-luvulla tapahtunut muutos' Tampere Tampereen yliopisto [*Inflexible expenditures of state budget and their effect on the fiscal policy latitude of the Council of State and the change occurring in the latitude during the 1990s* Tampere University of Tampere. Unpublished Master's Thesis]
- Nummikoski, Jukka 1992 'Valtion talousarvioon sisältyvien menojen kontrolloimattomuus ja sen ilmentyminen muuttuvissa olosuhteissa' Tampere Tampereen yliopisto [*Uncontrollability of State Budget Expenditures and Their Viability in Turbulent Conditions*]. Tampere: University of Tampere, Unpublished Master's Thesis]
- Schick, Allen 1990a 'Budgeting for results. recent developments in five industrialized countries', *Public Administration Review* 50, 1, 26–34
- 1990b *The capacity to budget* Washington DC The Urban Institute Press
- 1966 'The road to PPB the stages of budget reform', *Public Administration Review* 26, 4, 243–58
- Strasser, Daniel 1991 *The finances of Europe the budgetary and financial law of the European Communities* Brussels Office for Official Publications of the European Communities
- True, James L 1995 'Is the national budget controllable?', *Public Budgeting & Finance* 15, 2, 18–32
- Valtion talousarvioesitys vuodelle* 1996 Helsinki 1995 [*Finnish Government's Budget Proposal for '96* Helsinki, Ministry of Finance, 1995]
- Valtiovarainministerio 1964 '*Selvitys lakien sidottujen maanrahojen harkinnanvaraisuudesta*' Helsinki: Valtiovarainministerio, Budjettiosasto [*Study on the discretion of statute-controlled expenditures* Helsinki Ministry of Finance, Budget Department, Unpublished Working Paper]
- Weidenbaum, Murray L 1965 'On the effectiveness of Congressional control of the public purse', *National Tax Journal* 18, 4, 370–4
- Wildavsky, Aaron 1988. *The new politics of budgetary process*. Harper Collins Publishers
- Wildavsky, Aaron and L R Jones 1994 'Budgetary control in a decentralized system meeting the criteria for fiscal stability in the European Union', *Public Budgeting & Finance* 14, 4, 7–22

Date received 10 September 1997. Date accepted 2 December 1999.

Scandinavian Political Studies

Published by Blackwell Publishers Ltd for the Nordic
Political Science Association

Edited by Erik Albæk and Lise Tøgeby

Scandinavian Political Studies is the only English language political science journal from Scandinavia. The journal publishes widely on policy and electoral issues affecting the Scandinavian countries, and sets those issues in European and global context.

Highly ranked by the ISI, *Scandinavian Political Studies* is an indispensable source for all those researching and teaching in Scandinavian political science, public policy and electoral analysis.

Scandinavian Political Studies ISSN: 0080-6757.
Volume 23 (2000) contains 4 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk



BLACKWELL
Publishers

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

PUBLIC MANAGEMENT

IMPLEMENTING 'BEST VALUE': LOCAL PUBLIC SERVICES IN TRANSITION

STEVE MARTIN

This paper examines the impacts of the 'Best Value' regime on the management of local public services in the UK. It argues that the regime marks an important shift in the framework of national regulation of local authorities and the services they provide but that the initiatives developed by the councils which have been piloting the new framework reflect a variety of approaches to local implementation. This suggests not the arrival of a new, hegemonic 'outcomes-focused paradigm' but a more gradual transition characterized by the co-existence and interaction of hierarchical, market based and collaborative frameworks for co-ordinating service delivery. The search for 'citizen-centred' services is likely to lead to a shift in the 'mix of governing structures' with an increasing number of services structured around 'cross-cutting issues', specific client groups or local communities. However, these more integrated approaches to local service delivery frequently require internal re-structuring as well as more effective collaboration with other local service providers and with local people. They may not therefore lead to immediate improvements in public services and will require local and central government to embrace new approaches to learning.

Steve Martin is Reader in Public Policy and Management at Warwick Business School, University of Warwick.

Public Administration Vol. 78, No. 1, 2000 (209-227)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

FROM CCT TO BEST VALUE

The British Labour Party's 1997 General Election manifesto contained a clear commitment to abolish the legal requirement for local authorities to submit 'defined activities' to Compulsory Competitive Tendering (CCT). However, subsequent policy statements made it clear that local authorities were very much 'on trial'. The abolition of CCT was to be accompanied by a major attempt to 'modernize' local government. 'New Labour' was 'seeking nothing less than a radical re-focusing of councils' traditional roles' (Cmnd 4014, p. 5). 'The old culture of paternalism and inwardness (had) to be swept away' and authorities would need to respond to 'a demanding agenda for change' (Cmnd 4014, *op. cit.*).

This message was spelled out by the Prime Minister in a speech to the Labour Local Government Conference in February 1998 and an accompanying pamphlet on the future role of local government (IPPR 1998). A series of consultation papers, published in the first half of 1998 and the Local Government White Papers for England and Wales (Cmnd 4014 and Welsh Office 1998) confirmed that councils which were able to re-invigorate local democracy, deliver higher quality local services at a price that was acceptable to local people and ensure that officers and politicians maintained high standards of conduct, would be rewarded with greater autonomy and increased funding. However, those which failed to do so would have resources and responsibility for delivering local services taken away from them. In the words of a senior government adviser, the price of failure would therefore 'not be more CCT but less local government'.

This approach was in keeping with 'New Labour's' declared ambition to be 'a government that focuses on the outcomes it wants to achieve, devolves responsibility to those who can achieve those outcomes and then intervenes in inverse proportion to success' (Blair 1998), which in turn draws heavily on Osborne and Gabler's (1992) prescription for 're-inventing government' and has some strong parallels with the 'National Program for the Re-invention of Government' launched by the Clinton/Gore administration in 1993 (see Bingman and Pitsvada 1998). Like their US counterparts, the modernizers in and around 'New Labour' believe 'citizen-centred services' to be the hallmark of modern government (Cmnd 4310). Their objective is therefore to reshape the relationship between government and the public by driving up the service standards in line with increasing user expectations. Accordingly services have to be organized around the needs of clients and customers rather than according to organizational convenience. Public service is 'valued', but traditional service based, departmental 'silos' are seen as outmoded mechanisms that privilege producer and professional interests and have therefore to be dismantled. New information technology is seen as an important means of delivering more accessible and cost-effective services, and local partnerships between public, private and voluntary sector agencies are encouraged as a means of tackling 'cross-cutting issues' which

cannot be addressed adequately by individual organizations working on their own.

The 1999 Local Government Act established the 'Best Value' regime as the centrepiece of 'New Labour's' attempt to 'modernize' local authority services. (A second bill, requiring reforms in the political management of local councils and a new ethical framework to regulate the actions of local politicians and officers, will follow in a subsequent parliamentary session). The 1999 Act is strongly rooted in a concern with securing 'value for money'. It therefore requires local councils, police authorities and fire authorities to 'make arrangements to secure continuous improvement in the way (their) functions are exercised, having regard to a combination of economy, efficiency and effectiveness' (HMSO 1999, clause 3.1). However, it also reflects the central tenets of the modernization agenda set out above. Far from sweeping away the local government reforms introduced by previous Conservative governments, the Best Value regime therefore seeks to build upon and extend them. It is neither wholly new nor simply 'more of the same'. Instead it combines elements of both continuity and change – the most important features of which are summarized on table 1.

TABLE 1 *From CCT to Best Value*

CCT	Best Value
Applied to 'defined activities'	Applies to all local authorities services
Authorities had to expose services to market testing.	Authorities able to use a range of tests of competitiveness including benchmarking, joint ventures and voluntary competitive tendering.
Episodic market testing to establish cost and performance standards for the period of next contract.	On-going performance review designed to promote continuous improvement in service standards and year-on-year efficiency savings.
Encouraged autonomous business units, executive agencies and competition between public service providers.	Designed to encourage collaboration between service providers to 'lever in' capital investment and address 'cross-cutting' issues
Focused largely on the costs of service provision.	Emphasizes the importance of cost savings and improving service standards.
Limited role for service users.	Councils have a legal duty to consult with all those 'appearing ... to have an interest in any area within the authority which carries out functions'
Councils required to maintain trading accounts and satisfy external auditors.	Authorities have to satisfy auditors, best value inspectors and be more directly accountable to the public.
Councils required to publish Audit Commission performance indicators.	Authorities required to publish annual performance plans reporting past performance and future targets in terms of local PIs, national statutory PIs and measures of organizational health.
No inspection in CCT services.	Inspection of all local authority services.
Intervention triggered by failure to follow the rules.	Intervention triggered by failure to follow procedures and/or where service standards fall below national minimum requirements.

One of the main differences between CCT regulations and the Best Value regime is that the former applied only to 'defined activities' (mostly blue collar services) whereas the duty of Best Value is extended to all local authority activities. As a result Best Value increases the pressures on a wide range of often highly professionalized services to achieve the '3 Es', and in particular to assess the relative costs of in-house and external provision.

Second, whereas CCT required authorities to submit services to periodic market testing in order to specify costs and service standards for the period of the next contract, under Best Value local authorities will be engaged in an iterative process of overlapping performance reviews designed to achieve continuous improvements in service standards and year-on-year efficiency savings.

Third, whereas CCT required services to be exposed to competitive tendering, Best Value allows authorities to deploy a much wider array of 'tests of competitiveness'. Central government has stressed the importance it attaches to ensuring that services are not delivered directly 'if other more efficient and effective means are available' (DETR 1998a, p. 20). However, the Local Government White Paper acknowledged that because CCT regulations prescribed in detail the form and timing of competition they 'led to unimaginative tendering, and often frustrated rather than enhanced real competition' (Cmnd 4014, para. 7.22). It also stressed the need for competition that was 'fair to all sides' (para. 7.27). Accordingly, 'the requirement to use and develop competition as an essential management tool should not be interpreted as a requirement to put everything out to tender'. Instead authorities may choose to assess the competitiveness of a service by for example benchmarking it against the performance of other providers, or by contracting out provision of 'top up services' and then comparing the performance of in-house teams and external providers, or by 'forming a joint venture or partnership following a competition for an external partner'.

A fourth key difference between the CCT regime and Best Value is the emphasis which the latter places on promoting partnership, particularly joint ventures between local authorities and the private sector. Whereas CCT led to conflicts between many local authorities and private contractors (Walker and Davis 1999), the Best Value framework is intended to 'create the conditions under which there is likely to be greater interest from the private and voluntary sectors in working with local government to deliver quality services at a competitive price' (Cmnd 4014, clause 7.30). Public-private partnerships, and in particular the Private Finance Initiative, which were championed by the previous Conservative administration and initially opposed by the Labour Party, are seen by current ministers as having a key role to play in the new regime. Local authorities are also expected to begin to develop more sophisticated procurement strategies than were required under CCT and have been offered new freedoms to trade in order

that they can play a more pro-active role in creating, nurturing and managing markets.

Fifth, whereas CCT tended to focus on the costs of alternative service providers, the Best Value regime emphasizes the importance of driving down costs whilst also increasing service standards. Competition therefore has to be 'designed to secure improvements in quality as well as cost' (Cmnd 4014, para.7.27). Unlike CCT, Best Value therefore gives service users and the wider community an important role in determining spending priorities and setting performance targets and requires authorities to set these out in annual performance plans (Cmnd 4014, para. 7.31) – building upon the notion of 'customer focus' and the emphasis on quality of service which were emphasized by a number of the initiatives launched by the Major governments of the early and mid-1990s (Kirkpatrick and Martinez Lucio 1996).

The Best Value regime also gives added impetus to some of the key elements of the 'audit society' first developed by the Conservatives (Power 1994, 1997). In particular it introduces regular inspections of all local authority services (Cmnd 4014, para.7.39), new statutory performance indicators relating to mainstream services and 'organizational health', and a requirement for authorities to develop 'local' performance indicators relating to their own priorities and targets (Audit Commission 1998).

As under CCT legislation, the secretary of state has powers to intervene directly and forcibly in cases where authorities have failed to abide by the Best Value regulations. However, intervention can be triggered by a much wider range of failures including inadequate consultation, a failure to publish performance information, a lack of proper comparisons between service providers, inadequate performance targets or performance plans, the 'unreasonable' neglect of options for service provision and a failure to agree a programme of fundamental performance reviews (DETR 1999a).

NATIONAL REGULATION

Whilst the Best Value regime draws upon many of the key elements of previous reforms and retains some important vestiges of the CCT regime, the way in which it has been introduced marks a very significant shift in central government's approach to the regulation of local authorities and the services for which they are responsible. In marked contrast to the previous administration's reliance on detailed legislation and prescription imposed from Whitehall and Westminster, the present government has sought to promote the 'modernization' of local public services through a process of persuasion and exhortation.

There has been a concerted attempt to improve central-local relations through, for example, the signing of the symbolically important European Charter on Local Self-Government (Briscoe 1997) and the creation of the 'central-local partnership' as a forum for discussion between ministers and local authority leaders. Ministers and their officials have attempted to build

a broad consensus of support for the new regime not only among the national representatives of local government but also with business and trades unions, inviting all of these groups to play an active role in designing and overseeing the piloting of Best Value and in shaping the legislation (Martin 1999). They have also attempted to generate 'bottom up' support for and ownership of change among individual local authorities, embarking on a hectic schedule of visits to persuade councils of the need for change and launching pilot initiatives, notably the national Best Value pilot programme and the 'Best Value Partnership Networks programme', designed to create a cadre of authorities that would blaze a Best Value trail for others to follow (Martin and Sanderson 1999).

More recently central government has been closely involved in a series of new initiatives designed to enhance the capacity of local authorities to implement the new regime. It has actively supported the creation by the Local Government Association (LGA) of an 'Improvement and Development Agency' (IDeA), designed to help local authorities to acquire the skills they will need to provide local community leadership and deliver high quality services. It has also been closely identified with the development of a 'Local Government Improvement Project' which seeks to promote improvement 'from within local government' through peer review of authorities' existing capacity and capabilities (LGA 1999). In addition ministers have launched the 'Beacon Council Scheme' under which authorities that are judged to be providing 'excellent services' are rewarded with 'new freedoms and flexibilities' in return for sharing their expertise with other councils (DETR 1999b), and the Department of the Environment, Transport and the Regions has established a new, in-house team (the 'Local Government Modernisation Group') of staff drawn from senior management positions within local government whose role is to assist authorities in responding to current and future legislation.

Many of these initiatives are still in their infancy and it is far too early to judge their effectiveness. However, they indicate a growing awareness of the limitations of traditional levers of central command and control (epitomized by CCT legislation) and the search for what Rhodes (1997) has called a 'new operating code'. Under CCT central government's role was to draft and police national regulations as tightly as possible. Local authorities did not need, in theory at least, to develop home-grown models of service delivery. Their primary role was to comply with the legislation and statutory guidance imposed from Whitehall (although of course in practice many councils proved to be adept at side-stepping the legislation). Under the Best Value regime the roles of local and central government are more complex. Ministers have set extremely demanding targets for improvements but structured the new regime around a broad framework which allows individual authorities some flexibility to tailor services to local needs and priorities. In the words of a senior ministerial aide 'We deliberately avoided specifying in detail what Best Value was because we knew that as

soon as we did local government would probably oppose it'. The transition from CCT to the Best Value regime therefore shifts the locus of decision making away from national government and towards the local level, making it far more important to create the conditions in which a culture of continuous improvement can take root within individual authorities.

LOCAL IMPLEMENTATION

As noted above, some of the individual elements of the Best Value framework can be traced back to the transformation of British local government which, according to Young (1996, p. 365), has 'been underway since the 1980s'. Councils had statutory duties to consult users of a range of services prior to the introduction of the Best Value regime and a few already had comprehensive consultation strategies (DETR 1998b). Membership of benchmarking clubs was already increasing rapidly (Davis 1998) and many authorities had in-house quality programmes involving the use of TQM, Chartermarks, BS5750, ISO9000 and the Business Excellence Model (Sanderson 1992; Gaster 1995). However, taken as a whole, the Best Value performance management framework presents significant new challenges for even the most effectively managed and dynamically led local authorities (Filkin 1998) and, almost without exception, the authorities that were invited by central government to pilot the regime found it to be more complex, time consuming and difficult to implement than they had anticipated (Martin *et al.* 1999).

Approaches to local implementation of the Best Value framework varied considerably both between authorities and between services and initiatives within the same authority. In many cases pilots focused on processes and outcomes which fitted most comfortably with their existing managerial strengths and political priorities, and some chose to experiment with a number of different approaches. Moreover, because the pilot initiatives predated the publication of the Best Value performance management framework, they represented authorities' own interpretations of what was, at that stage, a set of rather imprecise guiding principles (DETR 1997). Each pilot therefore in effect developed its own 'brand' of Best Value and its own particular combination of the 'four Cs' (challenge, consult, compare and compete) which lie at the heart of the Best Value framework.

The result is a potentially confusing *mêlée* of initiatives. It is possible, however, to identify four main approaches to the local implementation (table 2), namely, a focus on:

- the provision of in-house, functionally organized services;
- contracting-out services to the private sector or delivering them through public-private partnerships;
- the integration of services around 'cross-cutting issues' or the needs of particular client groups; and
- the integration of services around the needs of local communities.

TABLE 2 *Typology of approaches to best value*

	In-house service focus	Market focus	Issues/client group focus	Local community focus
Principal aims	Produce	Procure	Ensure appropriate provision	Engage with communities
Emphasis	Compare (standards)	Compete (VCT)	Collaborate	Consult
Means	Incremental improvement in traditional welfare state	Contracting out and joint ventures	Corporate re-engineering and cultural change	Empowering communities
Structures	Strong departments and service committees	Commissioner/provider split, public-private partnerships	Corporate management team and political executive	Neighbourhood offices, area forums
Value defined in terms of	Professional standards and service based PIs	Unit costs	Corporate and community priorities	Community needs and aspirations
Predominant mode of regulation	Hierarchy	Market	Internal co-ordination and external collaboration	Networks
Approach to partnership	Minimal	Public-private	Strategic partnerships	Community and inter-agency partnerships
Champions	Senior professionals, committee chairs, front-line staff	Central government, business	Senior corporate managers, leading elected members	Community groups, neighbourhood managers, ward councillors

No authority fits neatly into any one of these 'ideal types' and there were marked differences of approach between initiatives within the same council. Moreover, the four approaches or emphases are not mutually exclusive. Indeed, one of the effects of the Best Value performance management framework is to require councils to embrace a wider range of approaches to designing and delivering local services – combining tests of competitiveness, benchmarking and community planning. Nevertheless, the model is a useful means of highlighting the implications, strengths and weaknesses of alternative frameworks for local implementation.

In-house services

During the first year of the piloting process most authorities focused on improving functional services, many of which were provided by in-house teams. In these cases reviews were typically led by service departments. They often focused on incremental improvements in service quality and/or cost effectiveness. The key drivers for change were usually comparisons

based on service-based performance indicators and benchmarking with other local authorities but not other service providers. Value was usually defined by service managers and professionals who emphasized the importance of professional standards and norms. The focus for improvement was largely operational and process-driven and the dominant mode of regulation was hierarchical. Partnership working was often seen as unnecessary and departmental 'silos' remained largely intact.

In some cases there was little or no questioning of the underlying need for the service and out-sourcing was often seen very much as a last resort (usually to deal with chronic under-performance or continuing inefficiency after the in-house team had been given a period of 'grace' in which to make improvements). The level of challenge was often dependent on the way in which reviews were managed. Lincolnshire County Council for example adopted a highly devolved approach, giving individual directorates and service committees considerable autonomy to decide which activities would be reviewed and to determine the timing, scope and methodology of reviews. At the other end of the spectrum the London Boroughs of Greenwich, Harrow and Newham, Portsmouth City Council and Warwickshire County Council developed strong corporate frameworks for implementing Best Value. In many other pilots (for example Birmingham City Council, Brighton and Hove Council, the London Borough of Camden, South Norfolk Council, Redcar and Cleveland Borough Council, the City of Sunderland Council and the City of York Council) corporate policy officers established 'Best Value toolkits', protocols and timetables, whilst service departments led individual reviews.

A service-based approach has a number of strengths. In particular it is compatible with existing political and managerial structures, processes and lines of accountability. Review teams are therefore able to draw upon existing user feedback and service-based performance data. They also report directly to service committees which are responsible for agreeing the action plans that emerge from the process of review. Chief officers can therefore generally be held responsible for ensuring that improvements are implemented. Front-line staff have also found this approach relatively easy to engage with.

The corollary is however that this approach is unlikely to lead to 'step changes' in local services or to promote more integrated service delivery. Particularly where reviews are dominated by professional élites (education officers, planners, social workers and so forth) whose judgements may be primarily influenced by the immediate needs of their services, the odds are stacked against radical solutions involving internal re-structuring or alternatives to in-house provision. In the words of the chair of one review *'We are in effect asking people to review themselves out of a job and that's not an easy thing for most of them to do'*.

Nevertheless, for some authorities a service-based approach was the only realistic way of beginning to implement the new regime and all of the pilots

used a service-based framework for at least some of the initiatives they undertook in the first year of the programme. Many found that this enabled them to identify and implement improvements in the cost effectiveness and/or quality of services fairly rapidly and believed it was particularly suited to services which are known to be performing badly. Most authorities report that a service focused approach will therefore continue to play an important role even if, over time, they also begin to undertake more strategic, overarching reviews organized around key issues, client groups or communities (see below).

Market mechanisms

A second approach to implementing Best Value relied upon market mechanisms as a primary means of securing improvements in existing services which were believed to be too costly or where there was need for major new capital investment – for example in school buildings, leisure centres or information and communications systems. The explicit objectives of these initiatives were to drive down costs and/or to lever in new resources. The emphasis was on the authority's role as a procurer, rather than a direct provider, of services. The driver for change was typically the need for budget cuts and the means of review were typically voluntary competitive tendering (often without an in-house bid) and joint ventures with the private sector. The focus of reviews was usually operational and value was typically defined primarily in terms of costs and efficiency. In some cases review teams took account of local peoples' preference for in-house provision but in many instances their views took second place to economic rationales. Performance indicators tended to focus on inputs and throughputs, and comparisons were based largely on cost benchmarks (although, as under CCT, it was sometimes difficult for authorities to make accurate comparisons because other service providers refused to disclose their costs on grounds of commercial confidentiality).

This approach was not common among the pilot authorities during the first year of the pilot programme. A large number of councils specified in their bids to join the pilot programme that they were committed to allowing in-house service teams two to three years to improve services and would expose them to competition only if they failed to do so. Moreover, some authorities (for example the London Borough of Harrow) whose bids to participate in the pilot programme suggested that they envisaged a major role for market mechanisms appeared not to use them as extensively as had been expected, whilst the London Borough of Brent which already relied heavily on voluntary competitive tendering in a number of services focused its pilot initiative on a neighbourhood approach to community safety in which consultation and collaboration, rather than competition, were the main drivers of change.

There were, though, some examples of services being contracted out. The London Borough of Newham market tested its in-house provision of resi-

dential homes for older people, pest control, aspects of highways maintenance and school transport, and externalized the administration of housing benefits and legal support to income collection. The London Borough of Lewisham reduced the costs of its revenues collection service by £500,000 per annum through market testing and externalized parks maintenance, parking, housing repairs and highways maintenance. Lewisham and Harrow developed a small number of PFI deals during the first year of the pilot programme covering revenues collection, benefits administration and some social services (Harrow) and catering services (Lewisham). Lewisham also started negotiations on deals designed to secure new investment in elderly people's homes and school buildings. Brighton and Hove, Tandridge and Wealden attempted (unsuccessfully) to form a joint revenues service administered on behalf of all three authorities, plus a fourth council, in partnership with a private contractor.

A market-oriented approach has a number of strengths. In particular it provides a clear basis for comparing alternative providers and may offer substantial cost savings. Many authorities believe that it will be seen by auditors as convincing evidence of a rigorous review process. They also believe that it is an approach which is in tune with central government's insistence that, unlike health and education which have received major increases in funding, local government can still achieve 'more for less' and will therefore be required to make year-on-year cost savings of at least 2 per cent.

There are, however, a number of significant disadvantages to this approach. First, externalizing services is ideologically unacceptable to many councillors who fear the 'hollowing out of the local state' if authorities relinquish direct control over services. Second, there is no market for some services and externalization is sometimes therefore simply not an option. Third, market mechanisms tend to focus on short-term operational issues rather than longer-term strategic solutions. In particular they may drive down costs at the expense of service quality and equality of access. Fourth, externalization may be a complicated process. PFI deals have, for example, frequently involved protracted negotiations between authorities and potential partners in the course of which both sides have run up substantial legal bills which have partially offset future cost savings. Finally, there is a danger that market mechanisms fragment organizations making it more difficult for them to provide 'citizen-centred' services.

Cross-cutting issues and client groups

The third main approach to implementing the Best Value framework developed by pilot authorities involved structuring services around 'cross-cutting issues', such as community safety, regeneration, public health, environmental sustainability, or the needs of specific client groups – for example older people, disaffected youth, ethnic minority communities and people with learning disabilities.

The emphasis was on the provision of 'holistic' or 'joined up' services. Consultation with clients and/or residents frequently acted as the main driver for change, there was often a strong link to community planning and many pilots adopted deliberative approaches designed to engage a range of different types of citizens in in-depth discussions about current and future priorities. The need to 'join up' services provided a clear basis for challenging existing approaches to service delivery and usually highlighted the importance of improving internal co-ordination and/or external collaboration through strategic and operational partnerships with the police, health authorities and a range of other service providers. Review processes therefore spanned a number of departments and/or agencies and review teams usually included senior corporate officers, service managers and representatives of other local service providers.

Bristol City Council, the City of York, Watford Borough Council and the London Boroughs of Greenwich, Lewisham and Newham all reviewed ways of integrating in-house transport provision and Birmingham City Council sought to integrate catering operations which were previously spread across five different departments. Newham worked with other agencies to improve the twelve sites in the borough which consultation showed local people considered to be the worst 'eyesores'. Bradford MBC and the London Boroughs of Brent, Camden and Lewisham focused on community safety (an issue which was consistently highlighted by residents' surveys as being of particular concern to local people). Camden's review focused on services which had an impact on youth crime – including measures to prevent truancy and reduce school exclusions. Lewisham undertook a strategic review of community safety with the police and voluntary agencies which supported victims of crime. Bradford reviewed the impact of ten services (including home care, youth justice, the exclusions service, school security, CCTV, youth and community services) on community safety. It worked closely with West Yorkshire Police, the local health authority and with area panels and neighbourhood forums. It also undertook specific initiatives designed to contact so-called 'hard to reach groups' (including Asian women, young people, victims of domestic violence, older people, disabled people and the gay and lesbian communities). Great Yarmouth Borough Council and the London Borough of Greenwich focused on services that affected social inclusion. Great Yarmouth reviewed its environmental health service, architectural services, rents, sheltered housing and housing voids control and, in collaboration with the county council and health authority, developed a broad strategy for reducing levels of deprivation and disadvantage.

Among pilots which focused on the needs of particular client groups, Southampton City Council structured its pilot initiatives around the quality of life of the city's older people, reviewing its housing, library, leisure services and a number of other activities that had a direct impact on older people. Portsmouth City Council undertook a review of all services for chil-

dren leaving care. Watford Borough Council focused on the needs of older people. The London Borough of Greenwich focused a pilot initiative on 'Early Years Partnership' and the London Borough of Lewisham reviewed the impact of public and voluntary sector agencies on young people. The London Borough of Newham reviewed all of the services it provided to disabled people and people with learning difficulties.

Issue and client focused approaches have a number of important attractions. They provide a powerful means of creating more 'citizen-centred' services and a mechanism for in-depth dialogue with service users and other citizens. However, because of the way in which they cut across existing organizational boundaries, lines of accountability and performance data, they can be difficult to implement. In many cases there are no performance indicators relating specifically to the 'cross-cutting issue' which is being addressed or the target client group. Moreover, some authorities fear that it will be difficult for cross-cutting or client focused reviews to satisfy the requirements of national audit and inspection regimes which continue to focus on functional services.

Because these approaches require a clear view of corporate and community priorities it will be impossible to implement them in authorities where strategic focus is lacking or where priorities and values are subject to frequent change (for example because political control changes hands). Moreover, even where there is a clear sense of direction from the 'centre' the vision may not be shared by service committees, service managers or front-line staff. Some authorities lack the corporate support mechanisms (for example information technology which is compatible across services) and some pilots found it difficult to secure chief officers' commitment to reviews or their outcomes because they seemed peripheral to mainstream, departmental responsibilities.

In many cases, organizing services around cross-cutting issues or the priorities of specific client groups will therefore require a fundamental re-engineering of internal processes, structures and performance management systems. This is likely to involve significant transaction costs. As one of the pilots put it, in the short term, many authorities are likely to find themselves 'drowning in process' and, as Quirk (1997, p. 585) observes, there is a danger that change initiatives on the scale which will be required 'act as a glorious diversion, creating a new introspection on transactions and not social outcomes'.

Local communities

The fourth main approach to implementing Best Value adopted by the pilots involved integrating the services they provided to local communities – often, but not always, relatively deprived wards. There was a strong emphasis on empowering local people so that they could exert direct influence over the design and implementation of services. Formal and informal networks played an important role. Pilots used a variety of different mech-

anisms to promote engagement including needs analyses, neighbourhood and area forums, public meetings and citizens' and user panels. Value was often defined both by communities and by intermediaries such as neighbourhood officers, ward councillors and community development workers. Some pilots used 'internal benchmarking' to compare service standards across different localities with a view to guaranteeing minimum standards in all neighbourhoods.

Leeds, Exeter, Manchester and Newcastle City Councils, Oldham Metropolitan Borough Council, Redcar and Cleveland Borough Council, Surrey County Council, Watford Borough Council and the London Borough of Brent focused some or all of their pilot initiatives on specific geographical communities. Most aimed to integrate a range of housing, environmental and other 'street' services though Surrey's initiative sought to bring together libraries, adult education and youth services.

Manchester City Council aimed to improve property security and the physical appearance of estates in three relatively deprived areas of the city by reducing vandalism, disorder, nuisance, crime and the fear of crime, and raising levels of educational achievement. It established cross-service 'Best Value Action Teams' which worked with local people to develop and implement services and had discretion to decide what action was needed in each locality. These teams also acted as 'eyes and ears' for other agencies, looking for housing disrepair, untidy gardens, suspected criminal activity and truancy, damaged properties and footpaths, failed street lights, abandoned cars, vandalism and so forth. Oldham integrated housing repairs and housing management, highways repairs, street lighting, grounds maintenance, street cleansing and refuse collection by establishing a 'Service Co-ordination Team' which acted as 'one-stop-shop' and 'agent' for the local community. Newcastle City Council sought to integrate refuse collection, street cleansing, grounds maintenance, street lighting and roads and footpath repairs in four wards. Service users, local communities and community development workers were closely involved in identifying priorities and designing, managing and monitoring these services. The client/contractor demarcation established under CCT was removed and an Integrated Environment Maintenance Budget was created to allow more flexible use of resources so that, as in Manchester, some services could be tailored to the specific needs of individual localities.

The experiences of these and other pilots that adopted a community focused approach suggests that it offers similar advantages to focusing on cross-cutting issues or specific client groups. It forces authorities to prioritize issues and problems which are of most concern to local people and provides a tangible focus for joint working with other service providers. However, because it cuts across existing services, it may face the same obstacles as issue/client focused approaches, including a lack of ownership by chief officers, the absence of performance data and the need for managers and front-line staff to adjust to new roles and more flexible ways of

working. Functionally based budgets and traditional job demarcations also pose significant obstacles to service integration and the requirement for in-depth consultation with communities can be time consuming and resource intensive.

In addition 'rolling out' this approach across a whole city is likely to be prohibitively expensive especially if a broader range of services is included. Authorities with very diverse communities (for example a combination of urban and rural areas) are often wary of community focused approaches because of the potential risk of intensifying real or perceived inequalities between areas and cutting across broader, corporate priorities. Finally, some local political parties fear that giving neighbourhoods the opportunity to set and implement their own priorities and perhaps to exert some control over area-based budgets may allow opposition parties to build up local power bases.

CONCLUSIONS

Whilst the Best Value regime does not herald the arrival of a new, hegemonic 'outcomes-focused paradigm' it does signal an important shift in central government's approach to regulating local authority services. As Walker (1998, p. 4) notes, ministers have been reluctant 'to trust their party colleagues in local government with money or functions, or even with the unchaperoned exercise of common party purposes'. They have therefore specified the overall levels of service improvement which authorities must achieve and the principal means by which they are to do it (Boyne 1999). However, in marked contrast to CCT legislation, the Best Value framework establishes broad principles and processes rather than detailed regulations. Officials drafting the statutory guidance which will accompany the legislation have therefore emphasized that 'best value does not depend upon detailed prescription from Government' (DETR 1999b, para. 1), 'the Government will not therefore seek to prescribe a uniform approach or product' (DETR *op cit.*, para. 4) and the framework will need to be 'followed imaginatively in the spirit with which it has been designed' (DETR *op cit.*, para. 10). Moreover, rather than simply imposing this regime on local government, ministers have gone out of their way to win support for it at both national and local levels, and central government is taking a proactive role in attempts to support authorities in developing the capacity and capabilities that they will need to achieve 'step changes' in the standard and cost effectiveness of local services.

In many respects this approach has proved to be remarkably successful. At national level, the LGA, CBI, and the trades unions have all lent strong support to the new regime, taking a remarkably similar line to each other on almost all of the key elements of the framework (see for example HC 705 1997/8). Equally importantly, most local authorities seem to have been convinced of the need for, or at least the inevitability of, change (Martin

and Hartley 2000), and many implemented initiatives which they saw as being 'in the spirit of Best Value' in advance of the legislation (Leach 1998).

The broad principles and processes contained in the Best Value framework have been interpreted and implemented in different ways by different local authorities and by different services within the same councils. The prevalence of service-based approaches among the authorities chosen to pilot the new regime indicates the continuing grip which the ethos and modes of operation associated with the 'paternalist-provider' paradigm have on local government. Many councils see hierarchical forms of command and control as remaining the best means of co-ordinating key services and are therefore seeking to implement the Best Value regime through existing departmental structures and processes.

In many authorities this is undoubtedly the result of ideological resistance to external provision combined with a degree of organizational inertia. However, it also demonstrates the limitations of market mechanisms. As Bennett and Ferlie (1996) note it requires 'conceptual gymnastics . . . to sustain the metaphor of the market' in some services and even where a market exists it may be very difficult to specify and monitor 'complete' contracts (Walsh 1995; Deakin and Walsh 1996). Nevertheless, particularly in discretionary services (notably leisure) and areas requiring major capital investment, the Best Value regime is encouraging authorities to turn to the private sector in order to improve the cost effectiveness of service delivery or to lever in new resources.

The first year of the Best Value pilot programme showed that performance reviews focused on improving in-house services without major structural changes or through marketization can deliver relatively rapid incremental improvements. However, they do not, on the whole, lend themselves to the provision of more 'joined up' services. Hierarchies tend to compartmentalize services along professional lines, whilst markets and quasi-markets carve up organizations into contractor and client functions in ways which limit the scope for flexible working and continuous improvement. By contrast, structuring services around 'cross-cutting issues', client groups or local communities does offer a means of achieving better internal co-ordination and of piecing together an increasingly fragmented and functionally differentiated local state. As in other policy arenas (cf. Bradach and Eccles 1991; Rhodes 1997), the management of local public services is therefore likely to rely increasingly on plural forms of governance. The flexibility provided by the Best Value framework means that hierarchical, market based and collaborative modes of co-ordination will co-exist and interact (Geddes and Martin 2000). In the short term the organizational forms that it produces are therefore likely to display the 'uneasy combination of the new and the old, the hands-off and the hands-on, the sophisticated and the crude, freedom and surveillance, quantity and quality' which Hoggett (1996, p. 31) associates with 'postmodern' approaches to public service provision.

The experiences of the authorities which have piloted the Best Value regime suggest that it has the potential to shift the 'mix of governing structures' towards frameworks that may deliver more 'citizen-centred services'. However, it is clear that this will take longer than central government may be prepared to allow, will require much bolder experimentation with alternative approaches to service delivery than local government have been used to and require new approaches to evaluation and learning.

Given the lack of existing models of 'joined up' working at either local or national level, they will often have to be invented almost from scratch. To do this, local authorities, other local service providers and central government will need to develop a much greater capacity for learning, based around new forms of knowledge creation and more effective channels for information sharing. Local councils need to be willing to evaluate 'good practice' far more rigorously in order to determine not just what works but also why. They also need to be willing to acknowledge and learn from policy failures and operational deficiencies. Central government needs not just to loosen the national framework of regulation but also to actively encourage, resource and reward councils that are prepared to take on the risks which will be associated with developing new models of service delivery. The dilemma is, of course, that a commitment to innovation and learning requires a higher level of trust and a more open culture than currently exists within and between the two tiers of government, as well as a more supportive and less punitive approach than is implied by 'New Labour's' continuing insistence on immediate improvements in service standards, 'zero tolerance of failure' and the need for local government to reform itself without the benefit of additional resources to help facilitate long-term restructuring.

ACKNOWLEDGEMENT

This paper draws upon the interim findings of an evaluation of the Best Value pilot programme in England and the activities of three Welsh pilots. The author acknowledges with gratitude the contributions of members of the research team and funding from the Department of the Environment and the National Assembly for Wales. The views expressed are however his own and do not necessarily reflect those of either department.

REFERENCES

- Audit Commission. 1998. *Consultation on local authority performance indicators* London. Audit Commission
- Bennett, C. and E. Ferlie. 1996. 'Contracting in theory and practice. some evidence from the NHS', *Public Administration* 74, 49-66
- Bingman, C.F. and B.Y. Pittsvara. 1998. 'Perceptions of federal management in the Clinton era', *Public Administration* 76, 761-77.
- Blair, T. 1998. *Modernising government Internal personal minute*. Unpublished
- Boyne, G.A. 1999 'Processes, performance and best value in local government', *Local Government Studies* 25, 5, 1-16.

- Bradach, J. and R. Eccles. 1991 'Price, authority and trust from ideals to plural forms' in G. Thompson, J. Frances, R. Levacic and J. Mitchell (eds), *Markets, hierarchies and networks the co-ordination of social life*. London: Sage.
- Briscoe, B. 1997. 'The new local government agenda', *Public Money and Management* 17, 4, 4-6
- Cmnd 4014. 1998. *Modern local government in touch with the people*. London: The Stationery Office
- Cmnd 4310 1999 *Modernising government*. London: The Stationery Office.
- Davis, P. 1998 'The burgeoning of benchmarking in British local government: the value of 'learning by looking' in the public services', *Benchmarking for quality management and technology* 5, 4, 260-70
- Deakin, N and K Walsh 1996 'The enabling state: the role of markets and contracts', *Public Administration* 74, 33-48.
- DETR 1997 *The twelve principles of best value*. London: DETR.
- 1998a *Modernising local government: improving services through best value*. London. The Stationery Office.
- 1998b *Enhancing public participation in local government*. London: DETR.
- 1999a *Draft protocol for intervention in failing councils*. London: DETR.
- 1999b *The Beacon Council Scheme: prospectus*. London: DETR
- 1999c *Preparing for best value: initial guidance*. London: DETR.
- Filkin, G 1998 *Starting to modernise: the change agenda for local government*. York: Joseph Rowntree Foundation.
- Gaster, L 1995. *Quality in public services: managers' choices*. Buckingham. Open University Press.
- Geddes, M and S J Martin. 2000. 'The policy and politics of Best Value: currents, cross-currents and under-currents in the new regime', *Policy and Politics* 28 (forthcoming).
- Hoggett, P 1996. 'New modes of control in the public service', *Public Administration* 74, 9-32.
- HC 705, 1997/1998. 'Implementation of the Best Value framework', *Eleventh Report of the House of Commons Environment, Transport and Regional Affairs Committee*. London. The Stationery Office.
- HMSO. 1999. *Local Government Act*. London: The Stationery Office.
- IPPR. 1998. *Leading the way: a new vision for local government*. London. IPPR.
- Kirkpatrick, I and M. Martinez Lucio 1996 'The contract state and the future of public management', *Public Administration* 74, 1-8
- Leach, S. 1998. 'The new local government agenda. a contribution to the debate', *Public Money and Management* 18, 3, 4-5
- LGA. 1999 *Improving from within Local Government Improvement Project – final report and recommendations*. London: Local Government Association
- Martin, S J 1999 'Picking winners or piloting best value? An analysis of English Best Value bids', *Local Government Studies* 25, 2, 53-67.
- Martin, S.J. and I. Sanderson 1999. 'Evaluating public policy experiments: measuring outcomes, monitoring processes or managing pilots?', *Evaluation* 5, 3, 245-258
- Martin, S.J., H. Davis, A G Bovaird, M.N. Geddes, J F Hartley, M. Lewis, I Sanderson and P. Sapwell 1999 *Improving local public services interim evaluation of the Best Value pilot programme*. London: The Stationery Office.
- Martin, S.J. and J F Hartley 2000 'Best value for all: the new public management in action or in retreat?', *Public Management* 2, 1, 15-27.
- Osborne, D and T Gaebler. 1992. *Reinventing government. how the entrepreneurial spirit is transforming the public sector*. Reading, Mass Addison-Wesley
- Power, M 1994. *The audit explosion*. London: Demos.
- 1997 *The audit society: rituals of verification*. Oxford: OUP.
- Quirk, B 1997 'Accountable to everyone: postmodern pressures on public managers', *Public Administration* 75, 569-86.
- Rhodes, R A W. 1997. 'From marketisation to diplomacy: it's the mix that matters', *Public Policy and Administration* 12, 2, 31-50
- Sanderson, I 1992 *Management of quality in local government*. London. Longman.
- Theakston, K 1998. 'New Labour, new Whitehall?', *Public Policy and Administration* 13, 3, 13-34
- Walker, B. and H Davis 1999. 'Perspectives on contractual relationships and the move to best value in local authorities', *Local Government Studies* 25, 2, 16-37
- Walker, D 1998 'The new local government agenda. a response', *Public Money and Management* 18, 1, 4-5

- Walsh, K. 1995. *Public services and market mechanisms competition, contracting and the new public management*. London: Macmillan
- Welsh Office 1998. *Modernising local government in Wales: improving local services through best value*. London: The Stationery Office.
- Young, K. 1996 'Re-inventing government? some evidence assessed', *Public Administration* 74, 347-67.

Date received 31 March 1999. Date accepted 20 August 1999.

The Economics of Transition

Published by Blackwell Publishers Ltd for the European Bank for Reconstruction and Development

Edited by Philippe Aghion, Wendy Carlin and Paul Hare

The Economics of Transition publishes high quality, refereed articles on the economics of transition towards developed market systems. It includes innovative theoretical work, as well as econometric analyses of the process of economic reform. It also includes policy symposia and regular book reviews.

In order to reflect the evolutionary changes in the study of transition, the journal includes the analysis of the institutional features that produce or may prevent high and durable growth and welfare in the new market economies. The journal encourages submissions that address these issues theoretically and empirically and invites studies of Asian countries such as China and Vietnam, of middle income countries in Latin America and of other emerging market economies.

Some articles for the journal are invited contributions to symposia, and some are based on round-table discussions of issues of critical importance to the process of transition. All articles, from whatever source, are subject to normal refereeing. Articles are accepted for publication subject to the condition that they have not already been published elsewhere.

The Economics of Transition ISSN: 0967-0750. Volume 8 (2000), 3 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk



**BLACKWELL
Publishers**

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

CORRESPONDENCE

ENCOUNTERS WITH THE PUBLIC ACCOUNTS COMMITTEE: A RESPONSE TO BRIAN LANDERS

I was surprised to read Brian Landers' article in *Public Administration* (vol. 77, No. 1, 1999). This was a personal tale rather than a serious academic analysis. I was also disappointed that a one-time senior public servant should choose not to apologise for mistakes made but to attack the public accountability process that brought them into the open. I was the Chairman of the Public Accounts Committee before which Mr Landers appeared and I remember the case well.

In the course of his investigation into the 1994–95 accounts of the Prison Service where Mr Landers was Finance Director, the Comptroller and Auditor General found 'a breakdown in the monitoring and control arrangements'. In central government accounting rules are set by the Treasury and are designed to ensure that those spending public money do so in accordance with terms and conditions set by Parliament on behalf of the taxpayer. Thus the Comptroller and Auditor General's findings represented a serious indictment of those responsible and as a committee we detected a deplorable attitude to financial control which represented a widespread contravention of the rules of Government Accounting and Parliamentary Supply. We concluded that the scale of over and under spending that had arisen was 'most unsatisfactory and indicative of weak financial controls within the Prison Service.'

Mr Landers might have thought the accounting rules arcane; he might have thought he knew better. But unless he could persuade the Treasury to change them, it was his duty to follow them. Mr Landers was obliged to stick to the rules. He didn't, and was rightly criticised by the Public Accounts Committee.

Mr Landers complains he was prohibited by government accounting conventions from using receipts to offset expenditure, citing income from private telephone calls as an example. Mr Landers misunderstands the principle and is clearly ignorant about the specific example. Income can be used to offset expenditure. Government accounting conventions require depart-

ments to estimate income in the same manner as they provide for expenditure; this ensures parliamentary control over the use of receipts as well as gross expenditure. If income exceeds expectation, departments can submit a supplementary estimate for approval by Parliament. In 1994–95 the Prison Service had explicit parliamentary approval to offset receipts from private telephone calls. However, in total, their receipts amounted to £6 million more than expected, but they did not make a supplementary bid which would have allowed them to use this money. Their failure to use standard parliamentary procedure is perhaps indicative of Mr Landers's admission that 'cash management at the year end had been totally bodged'.

In wondering why the National Audit Office had not detected the weaknesses sooner, Mr Landers conveniently ignores the fact that the National Audit Office had raised concerns about the financial management systems with the Prison Service in preceding years. And it became necessary to report to Parliament when the scale of the problem resulted in such a significant excess vote.

Mr Landers is also critical of the National Audit Office more generally. But, as the recipient of a critical report from the National Audit Office, his comments are scarcely those of a disinterested observer. He says, without evidence to support the point, that the National Audit Office are notoriously over staffed. This is not so. The National Audit Office is a cost-conscious and efficiency-driven organisation. In the past 10 years the workload of the Office has increased by 25 per cent yet its running costs have increased by only 9 per cent. He reluctantly concedes that the National Audit Office has highlighted ways in which ministries have wasted millions of pounds. In fact, year in and year out, the National Audit Office's work generates savings of some seven times its own running costs, over £1 billion in the last three years. Mr Landers is also wrong in his assertion that the NAO is not widely respected. It is held in the highest regard in the UK and internationally. Witness the raft of new work it has secured in recent years, and its appointment, won in competition, as auditor of a wide number of international bodies including the United Nations.

Finally, Mr Landers criticises the Public Accounts Committee. He thinks that we asked him the wrong questions. No doubt he would have preferred us to ask the questions he would rather have answered. But the awkward truth that Mr Landers fails to grasp, is that as elected representatives, we covered the ground that was of interest to us and to Parliament.

RT. HON. ROBERT SHELDON, MP

A REPLY

I was not surprised that in his response to my article Mr Sheldon should choose to attack my credibility rather than my facts. He is of course correct to say that I am not a 'disinterested observer', but then neither is he. I faithfully recorded a process in which I played a small part. I did not 'reluctantly concede' points or make 'admissions'. Such language, I suggest, indicates that Mr Sheldon's is a personal response rather than a serious analysis.

In my article I made two key points.

First I wrote that money had been 'wasted on a massive scale' and that financial controls in general had been 'shambolic'. These were matters that should have been of great concern to Parliament but the PAC instead concentrated on the relatively trivial issue of year end cash management.

Second I explained that the Prison Service had a deliberate and public policy of seeking efficiencies in day-to-day operations and using the money saved to invest in capital projects that would have greater long-term benefit. The policy was highly successful in that many millions of pounds were saved on some accounts and reinvested elsewhere. To assert, as Mr Sheldon repeats in his letter, that 'the scale of over and under spending' which resulted directly from implementing this ministerial policy 'was indicative of weak financial controls' is nonsense.

Mr Sheldon may not have agreed with the policy, indeed he may have believed that the policy adopted by ministers contravened the rules of Government Accounting, but in that case he should have ensured that the PAC debated the policy with the ministers responsible.

There is one matter on which I must concede, not reluctantly, that Mr Sheldon is correct. I have no direct knowledge of the NAO's staffing nor of its effectiveness throughout government. As I made clear in the article I was reporting what I believed to be widespread views within the Home Office but that remains hearsay.

Mr Sheldon has answered none of my concerns about the ineffectiveness of the PAC process and its failure, in my experience, to exercise the role which a democracy should demand of it. The awkward truth that Mr Sheldon fails to grasp is that elected representatives are elected to pursue the interests of the public as a whole not to 'cover the ground' that is of interest only to MPs. The particular PAC hearing which I reported could have had a real impact on a Prison Service which consumes an enormous amount of public expenditure and has a particularly direct impact on the lives of hundreds of thousands of citizens. Instead it produced a few cheap headlines and a report forgotten almost before it was written.

BRIAN LANDERS

This Correspondence is now closed (the Editor).

Announcing a New Journal for 2001
GLOBAL NETWORKS
A JOURNAL OF
TRANSNATIONAL AFFAIRS

in association with the ESRC Transnational Communities Programm

Global Networks is a path-breaking journal devoted to the sociological and scientific understanding of globalization and transnationalism.

In the 21st century emerging transnational actors will play an ever more important role in both global and local affairs. They represent the human face of globalization. Such actors enter into the spaces opened up by the intersection of corporate capital, labour mobility and the new information, communication and transportation technologies. A feature of globe-spanning interactions of all kinds is the building and sustaining of social, economic, political and cultural networks. These global networks are constituted by dynamic and often flexible connections between individuals, family-members, firms, social groups, and organisations. They transcend territorial borders, challenging the claims of cultural and economic self-sufficiency made by nations and communities. Such transnational processes, from below as well as above, present profound challenges and opportunities to states, corporations, cities and territorial-based actors.

CALL FOR PAPERS

Global Networks is produced by an international team of Editors and Regional Editors, guaranteeing papers a world-wide profile. Contributions are now sought from any social science discipline including anthropology, sociology and geography, but also political science, international relations, history, business studies, and religious studies. Young scholars are particularly welcome.

Please send submissions and queries to:
 The Editor, *Global Networks*, ISCA, 51 Banbury Road,
 Oxford, OX2 6PE, UK Email: global.networks@keb.ox.ac.uk

For full details please visit
<http://www.blackwellpublishers.co.uk/journals/glob>



REVIEWS

TEACHING PUBLIC ADMINISTRATION IN SPAIN: A REVIEW ARTICLE

IGNACIO MOLINA AND CÉSAR COLINO

Public Administration has reviewed some of the literature that is used for introducing students to public administration programmes in Europe. Previous issues have dealt with Northern and Mid-Europe. Vol. 78, issue no. 4 presents Spain, and subsequently we shall deal with France and Italy.

PETER BOGASON
Review Editor

Ignacio Molina is at the Autonomous University of Madrid, Spain; César Colino is at the Juan March Institute, Madrid and also FoV, Speyer, Germany

Public Administration Vol. 78, No. 1, 2000 (233–250)
© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

TEACHING PUBLIC ADMINISTRATION IN SPAIN: A REVIEW ARTICLE

IGNACIO MOLINA AND CÉSAR COLINO

In Spain, as in other continental countries, teaching and research in public administration (PA) have traditionally been dominated by historical and legal studies and methods. The emergence of a scientific approach dealing specifically with PA, however, can be traced back to the late fifties, when a group of university professors and top officials within the Franco regime was able to launch some so-called 'technocratic reforms'. Though preserving the authoritarian nature of the regime, these reforms introduced not only legal guarantees in citizen-administration relations, but also some management techniques from outside the continental tradition. In this context, a scientific journal, which still preserves a multidisciplinary approach, *Documentación Administrativa*, appeared and published work on PA – see, particularly, its special issues n. 223–225. Also, the National School of Public Administration was founded to train the recently institutionalized generalist civil service élite and to plan reforms. Only very recently, however, through the efforts of a small but active number of scholars, can it be said that the discipline has come of age and established its autonomy. The landscape of Spanish *Ciencia de la Administración* is now comparable with that of neighbouring continental countries which originally influenced its form and even its official name.

The object of this review is to present and highlight the features, authors and more prominent studies that have characterized the last decade in Spanish PA. It was during this time that administrative science emancipated itself from other disciplines and acquired its distinctive features, thus opening the way for promising growth in the quality and quantity of work. Because of its enduring importance, however, reference also has to be made to some of the most traditional work by legal scholars. Authors such as García de Enterría, Nieto or, more recently, Jiménez Asensio and Parejo – who advocated the so-called 'political' study of public administration – have contributed, through cross-fertilization, to the development of PA studies in Spain. Furthermore, Baena del Alcázar, coming from administrative law, was, not surprisingly, the first scholar who began breaking with the formalism of legal approaches and defining PA as an autonomous field. This was accomplished by Baena – holder of the first academic chair provided to the discipline in 1981 – during the seventies, in the context of incorporating PA courses into the curriculum of the Faculty of Political Sciences at the *Complutense* University in Madrid, at that time the first and only PS school in Spain. Teaching and curricular needs contributed first to the translation and introduction of the work of American and European scholars such as Waldo, Debbasch, Giannini, and Mayntz. This was fol-

lowed by the emergence and consolidation of a distinctive Spanish administrative science connected to the French tradition (Timsit, Chevallier). The earliest Spanish textbook (Baena 1985) devoted to PA was authored some years later, and has been republished several times since then. This work constitutes an essential benchmark for PA in Spain and is indispensable for understanding its development.

The book, entitled *Curso de Ciencia de la Administración*, begins with historical and conceptual reflections that try to demarcate the subject matter of the discipline. It focuses primarily on administrative structure and functioning as well as the study of public service, rather than on administrative activity or substantive policy results. Although a comparative dimension is included which considers the classical administrative systems of the world, the Spanish case, about which Baena has first-hand insider knowledge, is the real stuff of the text. Spanish administrative institutions are abundantly presented and legally oriented literature regarding their relationship with the democratic Constitution of 1978 is examined. This is a Spanish administration that, particularly during the eighties, sees itself multiplied in several regional and local administrations, deriving from the far-reaching decentralization process provided for by the Constitution. There are also a number of chapters with a more empirical character, such as those devoted to bureaucracy, the recognized speciality of the author. He draws upon, and benefits from, his own previous research and the work of prominent sociologists of the sixties and seventies, such as Linz, Moya and Beltrán. By synthesizing also some studies published by Spanish senior civil servants themselves, Baena offers an extensive picture of their social origins, connections with power élites and ideological attitudes. He continues to pursue this line of research today. Of note are his recent publications building upon his database of top officials (Baena 1999), and the activities of some of his disciples now working in several Spanish universities. Among this group, one can find authors of works on personnel resources and management (Olías), organizational theory (García Madaria), inter-administrative relations (Arenilla) and local government (Canales).

In the same school of thought, but more influenced by Anglo-Saxon approaches, is the book edited by Bañón and Carrillo *La nueva Administración Pública* (1997). Even though the focus of this work – addressed to a more specialized audience – is still on the analysis of the administration as organization and its human resources rather than on its output in the form of public policies, the incorporation of new approaches is already perceptible. Evidence of this is the contribution of several chapters by learned international scholars, the proclaimed questioning of traditional concepts and solutions and the review of current trends presented at the outset of the text. In sum, this work's novelty lies in its overriding concern for applied public management versus the traditional sociological or formal approach. The treatment of administrative legitimacy at the turn of the century and its relationship with the post-bureaucratic concept – developed

by Villoria in close connection with administrative modernization in post-modern society – is also to be emphasized. In the chapters written by native authors, one should welcome their overcoming of the traditional confinement to a national perspective, and the handling of issues such as strategic planning, the reception of marketing techniques in non-profit organizations and the ethics of new public management.

The extension of political and administrative science studies to universities other than the *Complutense* perhaps constitutes the main development that historically has determined the actual state of PA in Spain. The field's official consolidation in 1984 (as *Ciencia Política y de la Administración*), and its subsequent anchoring in PS departments and curriculums, were the pre-conditions for this breakthrough which also reflects the field's definitive emancipation from legal studies. The Faculty of Political Sciences at the *Universitat Autònoma de Barcelona*, created in 1986, with an explicit orientation towards the study of public policy and administration – which would become the second strand in the discipline – represents both this expansion and the introduction of the new approaches and models. The beginnings of teaching and research in PA in Barcelona should be seen in the context of the translation of some works of a more analytical nature on public policy (Lindblom or Mény and Thoenig). In addition, particular reference should be made to the publishing of a textbook by the main representative of this school, Subirats (1989). Although clearly connected to Anglo-Saxon authors such as Richardson, he shows the strong influence of continental authors such as Metcalfe or Dente.

Subirats' book, *Análisis de políticas públicas y eficacia de la administración*, places itself midway between the classical general reflection on decision making, where the issue of power is most relevant, and a more managerial concern with administrative effectiveness, centring on the Spanish case. Even though Subirats does not explicitly adhere to a rational choice approach – an approach that still seems to attract hardly any Spanish PA scholars – he does assume the rationality of all the actors, politicians and bureaucrats involved in the determination and implementation of public programmes. The work presents an original analytical framework for its time, assumes the unequal distribution of resources among the different actors, and, consistent with the approaches of traditional policy analysis, provides a model of stages. Whereas Subirats has subsequently shown a greater preoccupation with the decision-making phase and general workings of the Spanish government, notable disciples of his have tended to favour the analysis of case studies and other policy stages such as evaluation (Ballart 1992). In this vein, which stresses the micro-level, the development of work revolving around sectoral and sub-national levels of policy (Brugué and Gomà 1998) should be mentioned. All these contributions have helped to consolidate public policy studies in Spain through general empirical enrichment. In any case, this evident advance has been accompanied by a preference for analysing substantive policy contents instead of the style

dimension, and a focus on the managerial perspective rather than the more classical political science perspective.

Very ambitious collective projects, involving several scholars and research groups across Spain, have also been promoted by this group. The study being conducted by the so-called ERA-team, analysing the performance and diversity of organizational models assumed by several regional administrative apparatuses, can be referred to as a relevant example. This group acts in practice as a surrogate of a non-existent official standing group on PA or on Intergovernmental Relations (IGR) in the context of the Spanish Political Studies Association. Regarding published work, the book *Políticas públicas en España*, edited by Gomà and Subirats (1998), has succeeded in bringing together some of the best specialists in public policy sectors such as Boix in economic policy, Aguilar in environmental policy, Jordana in telecommunications and Guillén in public health to mention but a few. After some reflections on the uses and vigour of the public policy approach, the book continues with chapters on fourteen different policy fields which are empirically examined in the Spanish context. Grouping the parts of the book around the government of the economy, the welfare state, and new fields of public intervention, the editors should be given credit for having been able to structure sectoral diversity within a common analytical frame. The underlying leitmotif can be found explicitly in the concluding chapters in which the editors attempt to generalize about the overall policy style of the Spanish system. This generalization is derived from the diverse policy processes and outputs observed, with particular consideration for their degree of territorialization and Europeanization. The conclusion also deals with the need to combine the study of policy actors' networks, as a central component of a scientific treatment of public activity, with the more traditional policy determination in bureaucratic decision making. This is something which still requires considerable empirical work in the Spanish case.

Fruitful feedback can also be observed between the introduction of new management techniques in the Spanish public sector, and academic development during the nineties. As happened thirty years earlier, when technocratic reforms and scientific stimulus coincided, the need for administrative adaptations to democracy, decentralization, European integration, and the new state paradigm – the welfare state crisis and retrenchment, privatization, deregulation, creation of agencies, customer orientation, etc. – has forced academia to react. Despite the somewhat insufficient theoretical and empirical response to that challenge, partly because of overburdening resulting from too many rapid transformations, new degrees and full-time graduate and post-graduate programmes were offered. This was also a response to the increased need for old national or emergent regional administrations to commission research and create specialized training centres for the preparation of civil servants.

Regarding the university world, teaching and research in public adminis-

tration have experienced an increased momentum, which is apparent at the end of 1999. This has resulted not just from an increase in the four/five years *licenciatura* degree programmes in political science at more than ten universities, which prescriptively contain PA courses, but above all from the proliferation in numerous universities of three-year *diplomatura* degrees in public management and administration (*Gestión y Administración Públicas*). Some examples of pioneering public centres with high quality ambitions are the newly created *Universitat Pompeu Fabra* of Barcelona and the *Universidad Carlos III* of Madrid, both of which incorporated public management diplomas into their programmes at the beginning of the nineties. Although these diplomas have spread throughout Spain, and are now offered by 25 universities, only those based in Madrid and Barcelona show a clear PA orientation in their curriculums and faculty. The rest of the programmes, although largely practice-oriented and multidisciplinary in character, are located in law or business schools. This may have implications for a particular bias in teaching and the restricted promotion of specialized PA research.

Other new private or semi-public academic centres are also contributing to the development of possibilities for specialized teaching and research. They work sometimes in collaboration with public administrations, through temporary work placement for their students, but in particular, with universities such as the new *Rey Juan Carlos* or the long established *Complutense*, through a masters degree granted by the CSEGAE. Professors and researchers from these two universities in Madrid have also worked at the *Instituto Universitario Ortega y Gasset* which, apart from having a notable post-graduate programme in government and administration, has encouraged the creation of a series of working papers on Spanish PA. In Barcelona, a business school like ESADE – active for a long time in training public managers – participates in an outstanding full-time masters degree in conjunction with the two aforementioned public universities of that city. With a more academic focus, offering a masters degree in social sciences and promoting specialized doctoral research, the CEACS at the Juan March Institute in Madrid, has produced, under the aegis of international PA scholars such as the late Vincent Wright, several notable public policy theses. Like this centre, others have also served as instruments of international communication, introducing foreign approaches, thanks to the presence of professors such as Agranoff (*Ortega Institute*), Ziller (*Autònoma University of Barcelona*) or Hanf (*Pompeu Fabra University*).

Finally, regarding the public service schools, the *Instituto Nacional de Administración Pública* (INAP) should be mentioned; see its website '<http://www.inap.map.es>' which also offers links to the whole Spanish public sector. Apart from training bureaucrats, this successor to the old National School has carried out a remarkable function of dissemination, exemplified by the translation of fundamental texts and the publication of readers – frequently used for teaching purposes – such as those on organizational

theory or public management. Close to the Ministry of Economy and Finance, the *Instituto de Estudios Fiscales* has also promoted a dialogue between public management and scientific research on PA, through the work of authors like Zapico. These two institutes have counterparts at the sub-national level, such as the Catalan EAPC, with a long tradition dating back to the beginning of the century, the Basque IVAP and the Andalusian IAAP. The CEMCI in Granada, for its part, focuses on local government and Iberian America, a continental area that has traditionally attracted Spanish PA scholars since the language affinity fosters co-operation in the training of public managers and the exchange of scientific approaches and even textbooks. Finally, some scientific journals promoted by these civil service schools should also be mentioned: *Gestión y Administración de Políticas Públicas* (GAPP) and the *Revista Iberoamericana de Administración Pública*, by the national INAP, or the *Revista Vasca de Administración Pública* and the *Revista Galega de Administración Pública*, anchored in the corresponding regional schools.

As this overview has revealed, Spanish Administrative Science has experienced a recent and rapid development from rather formal and legalistic origins to become a much more empirical and political science-oriented presence. However, the very speed of this transformation has caused important deficiencies, some of them already noted here. The concern of Spanish PA scholars with institutionalizing the discipline and consolidating a profession still largely dominated in teaching and management by lawyers and economists, has probably distracted them from more intellectual tasks. Notwithstanding the breadth of the future research agenda, one should welcome, at the end of the nineties, a deeper concern with analysing, rather than describing, and the generalization of new quantitative and qualitative methodology (such as the careful fieldwork done by Matas interviewing Catalan top officials). Another example of new empirical research, oriented towards the enormous transformations of the Spanish state, is the work on IGR and Europeanization done so far by Morata in Barcelona. This field has also benefited lately from the emergence of young scholars such as Conde or those brought together by Closa (2000) in a collective volume studying the effects of the EU on different sectors of public activity. Finally, the appearance at the end of the nineties of several textbooks and teaching materials reflects potential areas that demand much greater and more systematic attention from the profession, such as the comparative dimension or theorizing (Olmeda and Parrado 1999; Ramió 1999). Now is the time for Spanish PA to articulate and fulfil these potentials, and to find its maturity by achieving definitive acknowledgement in both the academic and the administrative worlds.

BOOKS REVIEWED

Baena del Alcázar, Mariano. 1985 (3rd edn. 1993). *Curso de ciencia de la Administración*. Madrid: Tecnos. 482 pp. 4.700 ptas (Euro 28).

- Bañón, Rafael and Ernesto Carrillo (eds.). 1997. *La nueva administración pública*. Madrid: Alianza. 347 pp. 2650 ptas (Euro 16).
- Gomà, Ricard and Joan Subirats (eds.). 1998. *Políticas públicas en España*. Barcelona: Ariel. 442 pp. 3.800 ptas (Euro 23).
- Subirats, Joan. 1989. *Análisis de políticas públicas y eficacia de la administración*. Madrid: INAP. 184 pp. 1200 ptas (Euro 7).

REFERENCES

- Baena del Alcázar, Mariano 1999 *Elites y conjuntos de poder en España (1939–1992)*. Madrid: Tecnos.
- Ballart, Xavier. 1992 *Cómo evaluar programas y servicios públicos? Aproximación sistemática y estudios de caso* Madrid: INAP.
- Brugué, Quim and Ricard Gomà (eds.). 1998 *Gobiernos locales y políticas públicas*. Barcelona: Ariel.
- Closa, Carlos (ed.). 2000 *La europeización del sistema político español* Madrid: Istmo- Akal.
- Olmeda, José Antonio and Salvador Parrado. 1999. *Ciencia de la administración* 2 Vols: (I) Parte general (II) *Los sistemas administrativos* Madrid: UNED
- Ramó, Carles. 1999 *Teoría de la organización y administración pública*, Madrid: Tecnos.

THE STUDY OF REGULATION: ENTERING A MID-LIFE CRISIS? A REVIEW ARTICLE

OLIVER JAMES

The phenomenon of regulation, defined as states' use of targeted rules to intervene in the economy and society or more generally as any method of social control, has long been acknowledged as a field of study in public administration and public policy. The study of regulation is probably most developed in the US but now seems to be reaching a mature phase in Europe and English-speaking countries. Maturity is evident in two senses, intellectual content and institutionally. Firstly, in terms of intellectual content, the generic properties of regulatory activities in different sectors, such as economic, health and safety regulation, are being recognized more than ever. The similarity of regulatory activities which cut across traditional divides between public and private ownership or funding are increasingly noted. Studies have begun to extend the concept of regulation, conventionally thought of as something government does to the private sector, to look at regulation inside government and how the public sector regulates itself, such as Hood and colleagues' recent *Regulation inside Government* (1999). More generally, the growth in the importance of regulation as a state activity relative to state production of goods and services, with the emergence of a regulatory state in a post-privatization, post-New Public Management world, are beginning to be worked out. Much of this agenda is shared with the movement to broaden out the idea of government to look at governance, which focuses on the role of public and private actors and steering mechanisms rather than what state actors do by themselves.

The field of regulation is becoming more mature in a second sense, in terms of the institutionalization of its study. There is now a large literature beyond the US in Europe and many English-speaking countries, and the subject is studied not only by lawyers and economists but also by political scientists, sociologists, public administration specialists and public policy researchers. The emergence of more textbooks, new centres for research and new courses for the study of regulation broaden and deepen research on the subject.

The three pieces reviewed here offer a good overview of regulation and reflect these trends towards maturity. Baldwin, Scott and Hood have produced *A Reader on Regulation* with selected 'classic' works on the subject. Baldwin and Cave's *Understanding Regulation* is a textbook outlining key topics in regulation. The *OECD Report on Regulatory Reform* explores trends and key issues in OECD countries, reflecting the importance with which

Oliver James is in the Department of Politics at the University of Exeter.

regulation is seen not just by academics but by governments and international organizations as well.

The *Reader on Regulation* contains an introduction which reviews regulation as a topic for study, explores the career of the concept, introduces each reading and asks whether the study of regulation is reaching its prime or undergoing a mid-life crisis. The authors' answer to this question stretches the life-cycle metaphor to beyond breaking point. They suggest that academic study is broadening and becoming more complex with more interdisciplinary study, more diffuse theory and a broadening of concerns to link the study of regulation with other concepts including cultural studies of 'risk' and 'blame'. Three possible avenues of future research, looking at language, culture and the consequences of regulation are briefly suggested. This heady mix of ideas is perhaps not the best way to end an introduction to a collection of already varied materials. Students are as likely to be groping for a clear framework to synthesize these works as much as wanting to have further thoughts provoked by the authors!

The reader is interdisciplinary, containing works by economists, lawyers, political scientists, public policy researchers and historians. There are works by Breyer, Peltzman, Hancher and Moran, Makkai and Braithwaite on regulatory origins, development and reform. There are pieces by Diver, Shrader-Frechette, Hawkins, Shavell and Reichman on standard setting and rule choices. Work on different regulatory styles and techniques and different systems is provided by Daintith, Ogus, Teubner and Sun and Pelkmans. Finally, the reader includes Freedman and Graham's pieces on regulation and accountability. Inevitably, objections could be made to the inclusion or exclusion of particular pieces but, overall, a good range of material is presented. Gaps could be covered by using other edited books, although some of those are not easily accessible to those without some background in economics. A more difficult gap to fill is the lack of work on countries other than English speaking and European nations, which reflects a general relative scarcity of such work.

Understanding Regulation is a textbook with insights primarily, but not exclusively, from legal and economic perspectives and focusing mainly on Britain. The book is in two parts, Part 1 covers the 'fundamentals' of regulation, including chapters on the reasons behind regulation, regulatory strategies, regulatory institutions, standard setting, enforcement and regulating risks. Part 2 examines 'particular concerns' including price setting in natural monopolies, regulation versus competition, price capping, measuring efficiency, regulating quality, franchising and its limitations, accountability of regulation and procedures and fairness. The logic of this structure is not always clear, for example chapters on regulation in the European context and British utilities regulation are included in Part 1 despite appearing more appropriate for the second part of the book. Part 2 has more of an economic feel to it than the first, although an economic treatment of fundamentals would also seem appropriate. The chapters are sometimes too short

to do full justice to the topic, although they help to guide further reading. Some of the material is very useful and not easily available in textbook form elsewhere, for example the chapters on enforcing regulation and self-regulation which include a discussion of Ayers and Braithwaite's interesting idea of 'enforced self-regulation' from their 1992 book *Responsive Regulation*.

The *OECD Report on Regulatory Reform* is in two volumes, *Volume I Sectoral Studies* and *Volume II Thematic Studies*. They present the results of a study which provided the analysis behind a separate OECD report on regulatory reform for ministers and a short synthesis report containing a plan of action for governments. But the *Report on Regulatory Reform* reviewed here contains most of the information. The term regulatory reform is preferred in the title to deregulation, presumably to avoid the report being seen as having a 'new right' agenda. The report is intended to help spread knowledge about countries' experiences, emerging issues and best practice between countries. Volume I covers regulatory reform in the telecommunications, financial services, professional business services, electricity, agro-food and product standards sectors. These chapters constitute a mine of information about OECD countries, although the set of questions pursued is not standard across the sectors and countries, and coverage is uneven. However, a 'typical' chapter covers reform trends, efforts to liberalize the sector and associated regulatory structures. Volume II examines themes including the economy-wide effects of regulatory reform, regulatory quality and public sector reform, competition, consumers and regulatory reform, regulatory reform's effects on industrial competitiveness and international market openness and regulatory reform. The report provides substantial evidence of learning between countries and more coercive transfer of policies through international agreements, which is sure to provide further nutrition for the mushrooming literature on policy learning and policy transfer. The OECD is itself a mechanism for learning, and the overall emphasis is on innovation, suggesting a common reforming spirit in many OECD countries. But, by concentrating on new initiatives rather than underlying structures, the Report, like some of reports of the OECD public management service, may over-emphasize the amount of change and the similarities between trends in different countries.

With some additions, these three publications could form the core of a course on regulation, as it does for a postgraduate programme on regulation run by the authors of *A Reader on Regulation*. The pieces are also a good way of catching up on reforms in a variety of policy sectors and thinking in different disciplines. But all three works reflect a broader feature of the literature on regulation, the chronic splits between perspectives on regulation. This split is perhaps clearest between economic approaches concentrating on economic efficiency, markets and competition and legal, public policy and other approaches which look more at institutions and seek to understand how systems of regulation operate from a variety of theoretical

perspectives. However adherents of all these approaches agree that regulation is an important field of study and these books should be an important part of bringing the subject to a wider audience.

BOOKS REVIEWED

Baldwin, R., C. Scott and C. Hood. 1998. *A reader on regulation*. Oxford: Oxford University Press. 522 pp. £35, £19.99 (paper).

Baldwin, R. and M. Cave. 1999. *Understanding regulation: theory, strategy and practice*. Oxford: Oxford University Press. 363 pp. £48.00, £18.99 (paper).

OECD. 1997. *The OECD report on regulatory reform: volume I: sectoral studies and volume II: thematic studies*. Paris: OECD, 328pp. (vol. I) and 330pp. (vol. II). £31.

ETHICAL MANAGEMENT FOR THE PUBLIC SERVICES

Alan Lawton

Open University Press, 1998. 160 pp. £17.99 (paper), £55 (hardcover)

Lawton looks at his book as a reaction against the abstract nature of much moral philosophy, which is not immediately accessible to public servants. He hopes to reach both those who seek to understand and those who seek to practice. To do this he presents theory through case studies, vignettes and questionnaires.

Many central ethical problems of the public services of today are introduced and discussed. In chapter order, after introducing the ethics agenda, the author presents ethical issues, ethical theory and public service principles, the public services ethos, roles, relationships and rules, the organizational dimension, ethics and evaluation, ethical training for decisions and conclusions.

The book is built on extensive material consisting primarily of reports from governmental committees and commissions (Australia, Great Britain and OECD) and of social science studies. It is topical and relevant work. His empirical illustrations are primarily taken from public administration in Great Britain and Australia. I believe that the general pattern is the same in all liberal democracies and certainly, the book is very useful from a Scandinavian point of view.

Especially valuable is that the author describes the fundamental changes that have taken place in the practice of the public services during the last two decades. He makes many apt distinctions and really succeeds in making the complexity and diversity of the changing public services visible. It is a keen and knowledgeable analysis.

However, I do not think his pedagogical ambitions are realized. The book contains a lot of information, and could have been shorter. The case studies could have been better integrated in the discussion. The text is strongly characterized by many enumerations taken from various sources, and they are rather laborious to penetrate. I do not think the book is very useful to 'those who seek to practice', but 'those who seek to understand' may be favoured. For my own part I look upon all these aspects and problems as a great richness that has given me more and more ideas for further reflections on the ethical problems of public organizations.

I miss a few things. A more fundamental discussion of political democracy and the 'Rechtsstaat' in relation to the public services and the public ethos would have been useful. It is generally illuminating to look at political democracy from the output-side of the political process. Theorists of democracy are usually almost totally input-oriented and do not even observe the democratic problems that the managerial constructions cause. Furthermore, in my opinion, there is a world of difference between customers for various markets with more or less money in their pockets and citizens with all their rights and obligations, and the difference deserves an analysis from the democratic perspective.

It is a little disappointing that the author so stubbornly sticks to a downright empirical analysis. When he discusses normative problems, he refers to opinions in various texts but does not test them from an ethical point of view. I would have preferred that he had explicitly taken sides between, for example, democratic governance and public management, thus emphasizing the importance of linguistic distinctions. From the chosen perspective, he could have taken up a definite position in relation to the actual development. If I understand him correctly, he takes side in the last paragraph of the book. Could he not have started from this premise?

There is one sentence in particular which concerns me: 'In a democracy its public interest promotion is deemed to be in the hands of the politician rather than the manager'. But in a democracy everyone, perhaps particularly civil servants, are ethically responsible for the promotion of all democratic values. Must we really, as political scientists, accept managerial constructions even if they are in opposition to the idea of rule of law and political democracy? In Sweden, at least, the managerial trend in some respects is a direct threat to the fundamental

democratic values of openness and freedom of speech. Should we say that it is not our problem, or do we have a moral obligation as civil servants to react?

Lennart Lundquist
Lund University, Sweden

REINVENTING GOVERNMENT IN THE INFORMATION AGE. INTERNATIONAL PRACTICE IN IT-ENABLED PUBLIC SECTOR REFORM

Richard Heeks (ed.)
Routledge, 1999. 386 pp. £45.

The development of new technologies usually entails the promise of renewal and reform of the existing legal, political, and organizational institutions. Especially in the realm of public administration the use of information and communications technologies (ICTs) has caused both utopias and dystopias. The revolutionary development of the Internet has inspired scholars and practitioners to develop new ideas on teledemocracy and techno-activism, while the mainframes of the seventies and eighties led public sector managers to believe that ICTs would make public administration more efficient and more effective at the same time. During the eighties, the introduction of personal computers provoked ideas of radical decentralization within government agencies. Although these expectations are interesting, the question remains as to whether ICTs have really changed public administration. And, if so, what has been the exact contribution of ICTs? How are these ICTs related to the reform agenda of public administration? And if they are related, do ICTs contribute to the official reform ambitions? The volume *Reinventing Government in the Information Age* deals with these questions.

This book demonstrates that information age reform is widely spread within public administration around the world. However, it appears that the possibilities of ICTs to reform public administration are not always used, and when they are, there occasionally seems to be a gap between the original goals and the actual effects. In their instructive chapter Heeks and Bhatnagar try to explain the 'yawning gap between the positive potential of information age reform and the largely negative reality'. Their explanation builds on the idea of conception-reality gaps. They argue that the conceptual models held by key stakeholders are important. Where their assumptions do not hold – in other words, when there is a gap between an initiative's conception and organizational reality – the reform is not likely to be introduced successfully. The smaller the gap, the greater the chance of success. Conversely, the larger the gap, the greater the risk of failure.

Heeks and Bhatnagar describe three conception-reality gap archetypes. First, there are the rationality-reality gaps. Many ICTs are inspired by the idea of rational decision-making processes or a rational perspective on organizations. In reality, public administration hardly functions as a rational system. One should therefore not be surprised if the ICTs are not being used. And if they are being used, they do not automatically solve traditional information problems. A second type of conception-reality gap is the private-public gap. Given the differences between the private sector and public administration, information systems or techniques developed for the private sector can easily be based on conceptions that do not match public sector realities. For example, public sector objectives are typically broader than those of the private sector, encompassing social and political factors rather than having a more narrow financial focus. Because of the differences between the public sector and the private sector, information systems which are being used by the public sector are usually more complex than those in the private sector. Finally, there are the country context gaps. Information systems or techniques developed in the context of a particular country will incorporate common

assumptions within that context. This may cause problems when information age reforms are exported to other countries, especially when the reforms are transferred from an industrialized to a developing country.

Throughout the volume these conception-reality gaps are used to explain specific case study results. The case studies concern a variety of ICTs, like management information systems, the Internet, and information kiosks. Besides specific ICT-applications, a number of case studies relate to the political and organizational aspects of information age reform (outsourcing, training, strategic planning, accountability, and staff management). One of the case studies assesses the potential and the effects of re-engineering public administration with ICTs.

The editors of the volume have managed to gather case studies from all around the world. Therefore, the volume contains a great variety of contexts and applications, which contributes substantially to both its theoretical and practical value. Although the case studies vary considerably, they demonstrate that the reform potential of ICTs always has to be connected to the specific context in which ICTs are being introduced. The old maxim 'if one automates a mess, one gets an automated mess' still proves to be valid. Each time the reform goals have to be taken into account as well as the specific organizational and political context. One cannot introduce the present-day UK IT-strategy in Barbados without taking into account the specific context of Barbados. As one of the case studies demonstrates, this has been tried. The project has never received a 'reality check', and therefore it failed. And even if the development of ICTs takes into account the specific context, it always remains uncertain whether the technologies realize the reform goals. The practice in which ICTs are being used may still drift away from the original ambitions and beliefs.

Because this volume analyses many different examples of information age reform from a rather coherent and systematic perspective, it contributes to our understanding of the mechanisms and relationships between ICTs and public sector reform. The case studies could contribute even more to the book if all authors had used the conceptual-reality gaps in the way that these analytical tools were elaborated in the introductory chapters. Some of the case studies use the conception-reality gaps in the right way. When used correctly (for example, in Douglas M. Brown's chapter on information systems for performance management), they prove to be valuable analytical tools. They also provide plausible explanations for many of the successes and failures reported in the case studies. On the whole, the volume contributes substantially to our comprehension of ICTs and public sector reform. Consequently, the volume can be recommended to public sector managers, scholars and consultants who work within the realm of public administration.

Stavros Zouridis
Tilburg University, The Netherlands

LEGITIMACY AND THE EUROPEAN UNION

David Beetham and Christopher Lord
Longman, 1998. 144 pp. £11.99 (paper)

The EU is demanding both in analytical and descriptive terms. It is a complex and multifaceted entity that is unprecedented but whose identity, legitimacy and democratic quality are contested. There are disagreements among scholars about its nature and there is dissension among lay people about its value and justification. The technocratic vision has for a long time now dominated both the public and scholarly debate on the EC/EU; it is an élite game in the hands of economic interests and bureaucrats. It is the technical expertise and the functional interests that dominate the EU and exist mostly for handling problems which are beyond the reach of nation states. The EU's legitimacy hinges on the ability to solve problems in a smooth way, hence the free market measures and the ability to manage solely negative integration. How-

ever, owing to recent developments – the Amsterdam treaty, enlargement, security politics – the increasingly deeper and wider integration – this perspective has become ever more confining. There is no broad consensus on the goals and the EU is not only about regulation and pragmatic concerns. In my view the EU is best conceived of as a political response to economic globalization.

It is therefore high time that a book on 'Legitimacy and the European Union' appears. In this book David Beetham and Christopher Lord ask whether there are legitimacy problems and whether such a post-national polity can at all be justified. Legitimacy is here understood as a three-tiered relationship, between *legality*, *normative justifiability* (according to socially accepted beliefs) and *consent* of appropriate subordinates. These are the liberal-democratic criteria for political authority which are also relevant for the EU because of its impact on citizens' and nation states' interests. Indirect legitimation, i.e. the contention that the EU derives its legitimacy from the legality and legitimacy of the member states, does not suffice: '... the electoral authorisation of ministers at the national level, and their accountability to their national parliaments' is unsatisfactory (p. 15). The EU requires direct legitimation, hence the three legitimization criteria; effective *performance* according to given ends, *democracy* – accountability and representation – and *identity*, i.e. agreement on the nature and boundaries of the political community.

A common identity is needed for securing trust, that is, in order for subjects of collective decision making to be committed; every political order presupposes some kind of common identity to foster allegiance and respect for laws. Even if the EU is something less than a state, it requires identity because of its ability to make collective decisions. Nevertheless, the prospect of a European identity to enable a European Union is rather bleak as there is no 'European people' with a common history and cultural traditions on which the EU may be based. Its identity is quite thin and people in Europe display a 'rather multi-tiered sense of belonging' (p. 47). There is a low European identification by conventional standards, and the EU has had to apply different strategies in relieving its legitimacy problems 'by building national governments into its own political system ... 'and' ... by implicating organised non-governmental actors in policy formulation and implementation' (p. 57). From the identity point of view, democratization – extended participation – of the EU is required in order to secure the trust necessary for such a wide-ranging and consequential polity to go ahead.

While one may agree with this analysis by and large, the authors do not seem to recognize adequately the way the constitutional structure institutionalized in the member states and already at work at the EU level presupposes and again reproduces the required kind of political identity. From this perspective there is already a political culture at work that fosters collective decision making. The EU in fact has contributed to the delegitimation of national identities! (p. 101) Majority vote is limited and consensus democracy is a prevalent trait, but this does not necessarily hinge on lack of common identity, but rather on the lack of proper democratic structures of governance. In order to understand fully post-national political integration and the underlying notion of identity quite another analytical treatment and measurement is required from the one undertaken in this book.

Their second assessment criterion – democracy – entails examination of the possibilities for the development of the political system along intergovernmental and supranational dimensions. On the first dimension it is the domestic authorization of the EU that lends credibility to the legitimacy claim. The EU need not itself be democratic while the member states comply with democratic criteria. The structure of the EU in which the Commission has proposal power and is the main power unit, and not the (intergovernmental) Council, in addition to the technocratic and byzantine decision-making style, renders thus legitimation strategy obsolete. Further, representation and accountability under the intergovernmental model cannot sustain the indirect mode of legitimation, owing to long and weak chains of command. This has led to the 'de-democratisation of the state rather than democratisation for the Union' (p. 74).

However, the EU as a supranational entity also poses legitimacy problems since lack of a Euro-electorate, a party system at the European level and complete parliamentary power serve to keep the politics of the EU in 'a kind of sub-optimal equilibrium' (p. 81). The EU is a dual

legitimation system as it receives support both from the member states and from supranational elements – the Court and the Parliament – but its legitimacy deficit is profound as proper authorization, representation and accountability is difficult to institutionalize. The authors also maintain that the EU may be aspiring to some new form of democratic system which carves up legitimacy on its own, but for the time being it has to work with established notions of democratic legitimacy. The problems posed by identity and democratic deficits put higher burdens on *performance* which is the last legitimation criterion.

While intergovernmentalists opt for a Union without democracy, i.e. member state democracy is enough, Beetham and Lord observe that the EU is far more than an intergovernmental system of governance and that political powers that impose goods and burdens on citizens and states are in need of direct legitimation. The EU is a far-reaching polity, whose undertakings have profound effects on citizens and their affairs. It affects their interests as consumers, producers, employees, and rights holders. There are thus three kinds of rights delivery through which the EU may obtain legitimacy: security, welfare and civil liberties. Because of its performance and the effects of the EU's policies, there is a rising call for a greater onus on measures to strengthen the direct legitimacy of the EU. This is underscored by the use of the EU to relieve the national agenda of difficult issues, which highlights the autonomy of EU decision making. Since negative integration produces winners and losers, and as performance itself is in need of justification, legitimacy through performance not only depends on the capacity to realize goals but also on the agreement of the criteria for performance.

This, however, brings to the fore problems with the perspective presented here, in which performance and identity are held to be independent sources of legitimacy. These two dimensions should not be put on the same level as democracy in assessing legitimacy in the EU. In a post-metaphysical world – and even more so at a post-national level of integration – such a conceptual strategy is not adequate as it is only democracy and the way it involves citizens and their representatives in the deliberative and decision-making processes that ensure legitimacy. Democracy is the only legitimate form of governance, it may be contended; it is only by adhering to democratic procedures that a modern polity may achieve legitimacy. The concept of democracy therefore should be founded at a much deeper level than the work of Beetham and Lord acknowledge. This would make it possible to see that only procedures for deliberative and decision-making processes can provide legitimacy. Only through such procedures can outcomes claim to be just and identities and commonalities be legitimately expressed. Moreover, legitimacy is not easily subject to empirical measurement, as it involves a normative component – i.e. that powerholders or institutions deserve the support they are receiving.

I believe that such a perspective on legitimacy – in contrast to a perspective assuming legitimacy to be achieved by complying with existing norms of justice or prevailing notions of identity – might produce a less pessimistic view of the democratic deficit in the EU, and conceive of the EU as in fact a more integrated and justified polity than the authors of this book admit. The EU itself claims popular approval; it claims to be a source of legitimacy in itself. The authors touch upon such insights in several places. They point both to the rhetoric of 'bringing the Union ever closer to the people' – the Community as 'a political union' – a polity – and the many referenda on treaty changes to increase the depth of European integration. These features are, however, not only reminders that the power resides directly with the people, but also that the EU is a process, and that the process itself, and the way it is conducted induces legitimacy. Increasingly the European Community is becoming a polity *sui generis* and increasingly agreements have to be established not posited.

However, apart from this objection, *Legitimacy and the European Union* is a very fine book – nuanced, nicely written and full of insights for every one interested in the very remarkable process of European integration taking place in an ever more globalized world. It shows the problems of institutionalizing post-national democracy, and that globalization has sparked a new debate in political theory, challenging older notions of democracy, citizenship and community and their inter-relations. The EU in particular is theoretically demanding as conven-

tional perspectives are at pains to explain its endurance and stability. It is therefore very much to be appreciated that Beetham and Lord put legitimacy at the core of their analysis.

Erik Oddvar Eriksen
University of Oslo, Norway

EUROPEAN INSTITUTE OF PUBLIC ADMINISTRATION

<http://www.eipa.nl/>

The European Institute of Public Administration is located in Maastricht in the Netherlands, founded in 1981, it is supported and governed by the national administrations of the member states of the European Union and the European Commission. The objectives of the Institute are to 'provide civil servants and other interested parties with training courses of a European character relating to public administration in the European Union and the collection and development of knowledge regarding public administration in the European Union or in relation to it.'

The homepage of the institute is a little bewildering: the screen is dominated by a row of boxes flashing their messages about a number of courses the institute offers. Below then, one finds the structure of the site with links to activities, the Bulletin of the institute, the library, various services, the staff, etc. It is fairly easy to find staff members, their location and e-mail addresses, and there are good overviews of the courses offered by the institute; however, if the faculties added links from their specialized course to relevant www-sites within the topic of the course, that would be of great help to those who could not for some reason attend it.

The links provided are useful, but some are contradictory: one section is to national parliaments – containing three of them; while under another link there are links to almost all European parliaments. The links to media appear to be somewhat coincidental. The links to European institutions and to various databases and news and text collections are very useful, however. There is in addition a very useful link to a world-wide website having itself links to most governments in the world; each country has its individual page, and all pages are structured in the same way, easing comparative use of the site.

A link of great promise seems to be the 'The House of Europe' which consists of eight internationally oriented institutes based in Maastricht: the Centre for European Studies (CES), European Centre for Development Policy Management (ECDPM), European Institute of Public Administration (EIPA), European Journalism Centre (EJC), Hogeschool Maastricht (HM), Maastricht School of Management (MSM), Universiteit Maastricht (UM), United Nations University/Institute for New Technologies (UNU-Intech). It is promised that they will form a virtual centre of excellence, offering education and training and applied research and consultancy. The link does not, however, yet give the user any idea of how this virtual centre will be implemented.

Since it specializes in the EU, the European Institute of Public Administration should take more responsibility for creating a web-site strongly focusing on the institutions and administrative processes of the EU, and in particular linking the user to research projects and research centres dealing with those subjects. There is a lot on the web, but it is a jungle out there. There is a great demand for structured searches, and most people would be happy to go to Maastricht from their desks and receive more help.

Peter Bogason
Roskilde University, Denmark

ARTICLES

A GUIDE TO THE ESRC'S WHITEHALL PROGRAMME, 1994–1999

R. A. W. RHODES

This article introduces a symposium based on the findings of the ESRC's Whitehall Programme. It describes the Programme's origins, covering its objectives and themes. It provides a summary of the Programme's activities and publications. It allows the Programme Director to identify some of his personal highlights under the headings: from government to governance; publications; interdisciplinary work; international links and élite seminars. In the conclusions I identify four broad topics for future research: network steering, decentralization, anti-foundational epistemology and methods, and comparing Westminster systems. Finally in Appendix 1, I list all the programme publications so far and, in Appendix 2, I provide a list of projects along with the contact details for the principal investigator.

INTRODUCTION

The Economic and Social Research Council's (ESRC) Whitehall Programme on 'The Changing Nature of British Central Government' ended in June 1999. As Director of that Programme, I was responsible for spreading the results to both academics and civil service users. So, I organized several conferences and workshops and the papers were published in special issues of journals and in edited books (see, for example, Rhodes 2000). It had

R.A.W. Rhodes was Director of the ESRC Whitehall Programme and is Professor of Politics at University of Newcastle-upon-Tyne. The text is based on the publications of the Whitehall Programme. The article is a 'taster' for the two survey volumes which provide summaries of every project (R.A.W. Rhodes (ed.) (2000), *Transforming British Government: Vol. 1, Changing Institutions; Vol. 2, Changing Roles and Relationships*. London: Macmillan). Projects are identified by the name of the principal investigator and full details are given in Appendix 2. Author-date citations in the main text are listed in the references at the end of the article. Finally, Rod Rhodes would like to thank Mark Bevir and Janice McMillan for their continuing advice and help and the ESRC and the Cabinet Office for supporting the Whitehall Programme. For further information about the Programme and copies of all Briefings contact the author or visit the Whitehall Programme's web site: <http://www.ncl.ac.uk/~npol/whitehall/index/html>.

always been my aim to write a guide to the Programme's work for readers of *Public Administration*, but I had no plans for a special issue. However, colleagues submitted articles in the normal way, they were refereed, revised and accepted and, unexpectedly, there was enough material for a symposium. It was too good an opportunity to miss. So, I take the opportunity once again, to publicize the work of the Programme.

This article surveys the Programme's work and provides a service to readers with its comprehensive bibliography and list of contact names and addresses in Appendices 1 and 2. Christopher Hood and his colleagues pioneered work on internal regulation in British government and their article updates the story under New Labour. They have identified a significant trend. David Marsh and his colleagues fill an important gap in the literature with their study of central government departments and this article reports their findings on the changing roles of ministers. Oliver James critically assesses public interest justifications of regulation, identifying three kinds of regulatory failure – regulation reflecting the interests regulated bodies, regulator's interests dominating the system, and high costs. Finally, I try to draw together at least some of the Programme's key themes and I argue that the Whitehall Programme's analysis of governance challenged the managerial language so dominant in the 1980s and early 1990s. In its place it drew a picture of British government characterized by networks of public, private and voluntary organizations which cannot be effectively commanded but need steering by a centre skilled in bargaining and diplomacy. Obviously a symposium of five articles cannot capture the range of work carried out by the Whitehall Programme but it is a 'taster' for our work (a comprehensive survey can be found in Rhodes 2000 which is also published this summer).

ORIGINS

When the Programme began in 1994, there were enormous gaps in our knowledge of the key actors and institutions in British government, such as ministers of state, permanent secretaries, central departments and audit agencies. In addition, there had been many changes in British government during the post-war period, such as: the growth of the welfare state; the professionalization of government; the consequences of recession; the effects of New Right ideology; the impact of the European Community; the effects of new technology; the hollowing out of the state; and the new public management with its separation of policy and administration. The ESRC Whitehall Programme set out to document and explain these changes and examine their effects on executive behaviour. Also there was little theoretical literature on the executive and a need to assess the relevance of private sector management techniques and theories in a public sector context. So the Programme sought to develop theories specific to the public sector.

The Programme's formal origins lie in a Workshop entitled 'The Changing Nature of the British Executive' funded by the ESRC which I ran at the

University of York on 13–14 April 1992. Paralleling this academic activity, the (then) Conservative government of John Major was encouraging openness. The Cabinet Office sent an observer to the York Workshop. Sir Robin Butler, Head of the Home Civil Service, gave the Frank Stacey Memorial Lecture at the University of York and signalled his willingness to encourage research on central government (Butler 1992). After exploratory meetings with the Cabinet Office on 7 September and 11 December 1992, the Cabinet Office and the ESRC arranged a further Workshop at the Civil Service College. These discussions led to a formal accord between the Cabinet Office and the ESRC with the former taking part in a joint steering and commissioning panel to develop a research programme. The Board of the ESRC agreed to fund the Programme in September 1993 and the Commissioning Panel met on 6 December under its chair, Professor Ben Pimlott (Birkbeck College, University of London) to finish the specification and agree the commissioning process. The Programme called for outline proposals in December 1993 and January 1994.

The Panel met on 7 March 1995 to consider 112 outline proposals. It shortlisted 30. These full proposals were sent to between 4–6 referees and, at its meeting of 12 September, the Panel agreed to fund 16 projects costing £1.5 million. The Office of Public Service and Science (OPSS), in the Cabinet Office, offered to fund jointly two projects on open government and the history of government departments, each costing £100,000. The Panel did not allocate all its funds in the first round because it was clear there would be gaps in the Programme's coverage, notably studies of Prime Minister, Cabinet, ministers and the core executive. So, there were enough funds for a second round of commissioning. A further 25 applications were received and refereed. The Panel funded the two OPSS projects and five commissions to write books on the core executive based on research already completed.

The members of the Steering Committee were: Professor Ben Pimlott, Chair, Birkbeck College; Vernon Bogdanor, Brasenose College, Oxford; Professor Peter Hennessy, Queen Mary & Westfield College, University of London; Dr Ian Harden, Faculty of Law, University of Sheffield; Bill Jones, University of Manchester; Nicola Simpson, National Association of Citizens Advice Bureaux; Professor Cyril Tomkins, School of Management University of Bath; David Wilkinson, Office of Public Service, Cabinet Office; and Andrew Whetnall, Office of Public Service, Cabinet Office. The Programme Officers were, in turn, Phil Souben, Mohammed Quraishi and Stephen Struthers.

The Programme comprised 23 projects costing £2.1 million (for a list with start and completion dates see Appendix 2). The first project began in March 1995. The last project finished in March 1999. Professor Rod Rhodes became Programme Director for four years from 1 April 1994. Subsequently, his appointment was extended to June 1999; total cost, £303k. At its peak the Programme employed 49 people. It covered the disciplines of politics, law, history and management.

The Programme's objectives

The Programme had seven objectives.

- To describe, to explain and to create a better understanding of both recent and long-term changes in the nature of British government.
- To compare these changes with those in other EC member states and other states with a 'Westminster' system of government.
- To develop new theoretical perspectives and to encourage the use of new research methods in the study of central government.
- To encourage interdisciplinary work.
- To foster contacts and create a common understanding between academics and practitioners.
- To encourage new researchers in this area.
- To encourage the communication of the findings in a form accessible to a wide audience.

The Programme's themes

- (1) *Developing theory: the new governance*
Theoretical innovation focused on several key concepts: governance, regulation, core executive.
- (2) *Hollowing out the state*
This phrase covered:
 - privatisation and the redefinition of the scope and forms of public intervention;
 - the transfer of functions to new service delivery systems, such as agencies and through market testing;
 - the transfer of competencies by British government to European Community institutions; and
 - reduced capacity of the centre to steer.
- (3) *The fragmenting governmental framework*
The Programme provided anthologies of what is going on, especially up-to-date accounts of the impact of change on central departments.
- (4) *Ministers and managers*
Historical and modern accounts of the relationships between key institutions in the core executive.
- (5) *The evolving constitution*
Analyses of changing patterns of accountability and of regulation.
- (6) *Delivering services*
Analyses of contracting out, public consultation and decentralization.

Because the Programme was shaped by negotiations between the ESRC and the Cabinet Office, it had its own distinctive emphases. The following paragraph is in italics to highlight these characteristics and the phrases in inverted commas were used by the Cabinet Office to describe the concordat.

The Programme was an example of 'curiosity research' which set out to provide an 'anthology of change' in British government. Its primary objective was not to

provide policy relevant advice. The Cabinet Office was clear on the point. The task was 'to hold up a mirror to government' so we could 'learn each other's language'. Our task was 'to help one another understand the changes'. It was not to advise ministers and civil servants. In practice, the Programme combined basic research on the evolution of British government with policy-relevant research on present-day practice in Britain and Europe. Those colleagues who were so inclined were free to explore policy relevant issues; for example, on improving methods of consultation. But, as intended and agreed, most projects were pure research.

SUMMARY OF PROGRAMME ACTIVITIES AND PUBLICATIONS

The end-of-award report provides a full account of the Programme's work (see Rhodes 1999). For summaries of the research findings, see Rhodes (2000). Here, I summarize in tabular form, the work of the Programme. Table 1 lists the various seminars workshops and conferences organized between 1994 and 1999. Table 2 categorizes the various publications of the Programme.

TABLE 1 *Summary of programme events*

Type of events	Number of events
<i>Programme Communication</i>	
Elite Seminars	
1. Public Service Seminars	24
2. Other:	19
(i) CSC ¹	10
(ii) CIPFA	7
(iii) ICBH	2
TOTAL	43
	(Presentations by Director included in elite seminars)
Conferences	5
Workshops	16
	(Presentations by Director included in conferences and workshops)
Director's public lectures including lecture tours	(23)
<i>External Networking</i>	
Panels at other conferences	12
Politics Association joint events	7
ESRC launches & media events	4
	(Presentations by Director, included in Panels etc.)
Director's other seminar presentations	(51)
TOTAL	162 (107)

Notes:

¹ CSC is the Civil Service College. CIPFA is the Chartered Institute of Public Finance and Accountancy. ICBH is the Institute of Contemporary British History.

² Includes a one-day workshop.

Source: Rhodes 1999, Appendices 3 and 4.

TABLE 2 *Summary of programme publications*

Type of Publication	Programme	Director	Project	Total
Books	22	9	23	54
of which:				
monographs	17	2	13	32
edited	5	3	6	15
symposia		3		3
other (e.g. pamphlets)		1	4	5
Articles		29	83	112
Chapters		20	80	100
Discussion Papers	20			29
Briefings	17			17
Other	2			2
TOTALS	61	58	195	314

Source. Rhodes 1999, Appendices 5 and 6.

HIGHLIGHTS

Of course it is invidious for the Director to rank his colleagues' research but, provided my remarks are not interpreted as criticism of anyone, I am allowed to have personal highlights; publications and events with which, as Programme Director, I was delighted. In this section I describe some of my favourite moments.

From government to governance

The Westminster model and the new public management (NPM) are familiar stories about British government. The governance narrative, defined here as 'steering by networks', challenges both and the aphorism in the sub-heading summarizes the shift from line bureaucracies to networks and fragmented service delivery. After 1979, function-based policy networks based on central departments (or sections of them) changed in two ways. First, the membership of networks became broader, incorporating both the private and voluntary sectors. Second, the government swapped direct for indirect controls by, for example, contracting-out services to the private sector. It also bypassed local authorities for special-purpose bodies and removed operational management from central departments and vested it in separate agencies. The policies of managerialism and marketization had the unintended consequence of speeding up fragmentation and multiplying networks, making central steering more difficult, hence the present-day concern with joined-up government.

Governance has become the defining narrative of British government at the turn of the century and the Whitehall Programme provides a language for describing this world. With the Local Governance Programme, it played a part in challenging the dominant, managerial ideology of the 1980s. Both supported a view of the world in which networks rival markets and bureaucracy as the apt way of delivering services (and for a fuller account see the final article in this symposium and Rhodes 1997, 2000).

The Local Governance and Whitehall Programmes were also major sources for the ESRC's priority theme of governance and its associated programmes. As chair of the ESRC's Local Governance Programme's Steering Committee, and working with its Programme Director, Professor Gerry Stoker (Strathclyde), I set out the governance theme in Rhodes (1992). Subsequently, I expanded these brief remarks in a public lecture delivered on 24 January 1995 at the Royal Society of Arts on 'Governance' as part of the RSA/ESRC 'State of Britain' lecture series (Rhodes 1995). The lecture was subsequently published as (Rhodes 1996). The ESRC adopted governance as a theme (see *Corporate Plan 1996–2001* 1995, p. 11). Subsequently, I contributed to the ESRC Conference on 'Future Britain', held at the Queen Elizabeth II Conference Centre, London, on 25 June 1997 and the text of my lecture on 'Good Governance', is available from the ESRC. It was drawn on extensively in Peter Kellner's summary piece on governance in the ESRC pamphlet *Challenges Facing Future Britain* (ESRC 1997). Finally, the governance theme informed the ESRC's 'Future Whitehall' conference held on 24 September 1997 at Church House, London, at which I presented the closing address.

Publications

Quantitatively, we delivered. Table 2 shows a good publication record. There is a Programme series produced by Macmillan with 22 books under contract and almost one-half already published, including the two-volume, 28 chapter, edited collection summarizing the key findings of every Whitehall Programme project. There are a further 32 books with other publishers.

The theme of understanding change pervades the two survey volumes which are subtitled respectively, *Changing Institutions* and *Changing Roles and Relationships*. Obviously most projects focus on some specific facet of change – for example, the roles of permanent secretaries and ministers, changing patterns of accountability – but the work of Lowe and Rollings (2000), Rhodes (1997 and 2000: vol. I, ch. 14 and volume II, ch. 14), Rose (2000) and Smith (1999) also seek to describe and explain general trends. The most prominent theme is, of course, the shift to governance, but it is not the only one.

Individual projects made important contributions to the Programme's intellectual content. As well as the projects which contributed to studying governance and networks (Lowe, Smith, Smith and Marsh, Spencer), the most notable theoretical work was on the core executive (Lowe, Smith, Wright), regulation (Hood, Page, Hogwood) the new institutionalism (Bulmer, Richards, Wright) and dependence (Norton, Rose, Smith). I am an admirer of: Hood *et al.*'s (1999) clinical dissection of internal regulation, Lowe and Rollings (2000) account of modernization in the 1950s and 1960s and attendant critique of governance; Rose's (2000) magisterial review of 55 years of Prime Ministers; Theakston's (1999) path-breaking use of comparative biography to study permanent secretaries; and Deakin and Parry's (1999)

revealing interview material in their study of the Treasury. And judging by reviews and sales, Kavanagh and Seldon (1999) on No. 10; Dunleavy and Rhodes (1995) and Smith (1999) on the core executive and Rhodes (1997) on understanding governance have their admirers too. Like the luckless cricket commentator praising a batsman, all will now be summarily dismissed.

Interdisciplinary work

The phrase 'interdisciplinary work' often commands obeisance, but little else. The Whitehall Programme had five historians working on it and I must record their exemplary willingness to debate with their political science colleagues. Also, a boisterous conference held at the Public Record Office fuelled a still-running argument about postmodernism, history and politics. The anti-foundational strand in postmodern thought provides an alternative epistemology to the lukewarm positivism which pervades so much British political science. Anti-foundationalists explicitly reject the idea of given truths whether based on pure reason or pure experience. As a result, they typically look suspiciously on any claim to describe neutrally an external reality. This approach deconstructs the positivism informing much of the Westminster model and its family, and 'reinvents' the historical and philosophical approach to government through its emphasis on traditions and narratives (see Bevir and Rhodes 1999; Rhodes 2000, vol. II, ch. 14). Just as 'governance' challenges the conventional ontology of British government, anti-foundationalism undermines the mainstream's epistemology justifying how we study British government. For the Director, these debates were a highlight because they put flesh on the bare bones that is the rhetoric of interdisciplinary work (see: Lowe and Rollings 2000).

International links

The Programme had three comparative projects focusing on the EU and Western Europe; Hayward and Wright on core executives and co-ordination; Bulmer and Burch on the impact of the EU on Whitehall; and Elder and Page on agencies in Britain, Germany and Sweden. The original Programme specification also called for projects comparing Westminster systems but no project survived the refereeing process. So, I used research workshops to repair the omission and there will be at least two edited collections on core executives and top civil servants (Rhodes and Weller 2000; Weller *et al.* 1997). Curiously, UK civil servants show great interest in public sector reform in the antipodes, not so UK academics. But the limited research conducted with Whitehall Programme support came up with interesting comparative conclusions. Thus, there is no such thing as a 'Westminster system', only a divergent and diverging family of governments. Australia, Britain and New Zealand were all subject to ostensibly the same pressures of globalization but evolved distinctive responses to such forces, whether the example is their executives or civil services. For example, the effect of the global fashion for new public management on

permanent secretaries varies dramatically. In Britain it was a case of 'everybody else but us' with little or no change in the top job, whereas in Australia all are on contracts and remain in post for less than five years (Rhodes and Weller 2000).

The Whitehall Programme also had formal links with equivalent research projects in Denmark and Australia. In Denmark the link was with the Institute of Political Science, University of Copenhagen and their Danish Research Council-funded project on 'Democracy and Institutional Change'. In Australia the link was with the Centre for Australian Public Sector Management, Griffith University, Brisbane and their Australian Research Council funded project on 'The Governance of Australia'. The Danish link led to a seven-lecture tour of Scandinavia. The Australian link led to an eleven-lecture tour. There were four joint workshops in Brisbane, Canberra, Copenhagen and Newcastle. Individual projects also had extensive links. For example, the Hayward and Wright project involved extensive international co-operation through programme workshops and it will produce at least six books in the Programme's 'Transforming Government' series. Specific workshops also produced additional edited collections on, for example, 'administering the summit' (Peters *et al.* 1999). In short, the Programme had a visible and significant international profile.

Elite seminars

Elite seminars under Chatham House rules were the preferred mode of research communication of the Whitehall Programme. The Public Service Seminar Series held at the LSE and the British Academy was the main event. The format was an invited audience of 20, split equally between senior civil servants and academics on the Whitehall Programme. We also took the opportunity to invite distinguished outsiders with expertise relevant to the topic. The chair alternated between Ben Pimlott, chair of the Steering Committee, and Sir Robin Butler (1994–1998) and Sir Richard Wilson (1998 to date), Heads of the Home Civil Service. There were 24 seminars, including four to be held in 2000. Few programmes have the opportunity to engage their primary user, in this case the Head of the Home Civil Service, four times a year for five years. And of the nine other members of the Senior Civil Service who attended, most were grades 1–3. The atmosphere became so relaxed that trusted political journalists also attended (Peter Riddell, Will Hutton). This communication model was used extensively by individual projects and we also contributed to 10 training courses run by the Civil Service College, and will contribute to more in 2000. The College highlight was a one-day workshop by the Director showcasing the work on governance.

SUMMING UP AND MOVING ON

I am a fan of the programme format. For the Whitehall Programme, it had three great merits. First, it generated a collegial atmosphere. The several

seminars, workshops and conferences produced intellectual debate and joint work but, best of all, they were fun.

Second, the Programme built users into research. The senior civil service helped to choose the projects, attended all main programme events and provided a link person to manage day-to-day matters. There was a continuing dialogue based on appreciating one another's problems and learning one another's languages. The élite seminar format helped to create a relaxed, informal atmosphere for such appreciation and learning.

Finally, the programme format provided a focal individual in the Director who could build bridges between academics and the senior civil service. This combination of collegiality, user involvement and networking is low cost, especially compared to a research centre.

It would be a dereliction of academic duty not to identify more, new areas of research. The Programme's findings suggest four broad topics: network steering, decentralization, anti-foundational epistemology and methods, and comparing Westminster systems. In brief, if 'diplomacy in governance' is the challenge of the next decade, then we need to understand how to manage networks. Decentralization is the claimed panacea and alternative to central steering but when, where and how does it work? Also it is not limited to managerial decentralization. If devolution to Scotland and Wales is already a priority research topic, decentralizing political authority in England lies in wait for the British government. Will such political decentralization ease or compound steering problems? How will we study networks and decentralization? The anti-foundational approach suggests an extensive role for ethnographic research methods but they have never been accorded a high training priority in political science and they raise the problem of objectivity and relativism in studying government. Finally, the common but diverging traditions of Westminster systems are an ideal test bed for exploring how governments respond to international pressures or globalization and comparing forms of decentralization.

REFERENCES

- Bevir, M and R A W. Rhodes 1999. 'Studying British government reconstructing the research agenda', *British Journal of Politics and International Relations* 1, 2, 215-39.
- Butler, Sir Robin 1992 'The new public management: the contribution of Whitehall and Academia', *Public Policy and Administration* 7, 3, 4-14
- Deakin, N and R. Parry 1999 *The Treasury and social policy* London: Macmillan
- Hood, C., C. Scott, C. O. James, G. Jones and T. Travers. 1999 *Regulation inside government: waste-watchers, quality police and sleaze busters* Oxford. Oxford University Press
- Kavanagh, D and D. Seldon 1999. *The power behind the Prime Minister the hidden influence of No 10*. London HarperCollins
- Lowe, R and N. Rollings 2000 'Modernising Britain, 1957-64: a classic case of centralisation and fragmentation?', in R A W Rhodes (ed.), *Transforming British government*, 2 vols London Macmillan
- Peters, B.G., R A W Rhodes and V Wright (eds) 1999 *Administering the summit* London Macmillan.
- Rhodes, R A W 1992 'Beyond Whitehall researching local governance', *Social Science* 13, (Nov) 2.
- 1995 *The new governance governing without government* London. ESRC/RSA.

- . 1996. 'The new governance: governing without government', *Political Studies* 44, 652–67.
- . 1997. *Understanding governance: policy networks, governance, reflexivity and accountability* Buckingham: Open University Press
- . 1999 *The ESRC Whitehall Programme: the changing nature of central government in Britain. Programme Director's End of Award Report* Newcastle. Department of Politics, University of Newcastle-upon-Tyne.
- (ed.) 2000. *Transforming British government*, vol. 1. *Changing institutions*, volume 2. *Changing roles and relationships*. London: Macmillan
- Rhodes, R.A.W. and P. Dunleavy (eds.) 1995 *Prime Minister, cabinet and core executive*. London: Macmillan.
- Rhodes, R.A.W. and P. Weller (eds.) 2000. *Mandarins or valets? The changing world of top officials*. Buckingham: Open University Press.
- Rose, R. 2000. *The paradox of power: the Prime Minister in a shrinking world*. London: Macmillan.
- Smith, M. 1999. *The core executive in Britain* London: Macmillan
- Theakston, K. 1999. *Leadership in Whitehall*. London: Macmillan.
- Weller, P., H. Bakvis and R.A.W. Rhodes (eds.). 1997. *The hollow crown* London: Macmillan.

APPENDIX 1 BIBLIOGRAPHY, 1994–2000 — BOOKS

The Programme's Series: Transforming Government

- Andreweg, R. 2000. *Governing from the centre: core executive policy co-ordination in the Netherlands*. London: Macmillan.
- Burnham, J. and Jones, G.W. 2000. *Advising Prime Ministers 1868–1998*. London: Macmillan.
- Catterall, P., Brady, C. and Kandiah, M. 2000. *Government by committee: the development of the cabinet committee system*. London: Macmillan.
- Catterall, P., Brady, C. and Kandiah, M. 2000. *Routine and crisis: the operation of the cabinet committee system*. London: Macmillan.
- Deakin, N. and Parry, R. 1999. *The Treasury and social policy*. London: Macmillan.
- Elder, N. and Page, E. 2000. *Accountability and control in Next Steps Agencies*. London: Macmillan.
- Goetz, K.H. 2000. *Binding agreements: core executive policy co-ordination in Germany*. London: Macmillan.
- Hayward, J.E.S. and Wright, V. 2000. *Governing from the centre: policy co-ordination in France*. London: Macmillan.
- Hayward, J.E.S. and Wright, V. (eds.). 2000. *Governing from the centre: core executive policy co-ordination in France, Germany, Italy, the Netherlands, Austria and Spain*. London: Macmillan.
- Heywood, P. 2000. *Governing from the centre: core executive policy co-ordination in Spain*. London: Macmillan.
- Hine, D. 2000. *Governing from the centre: core executive policy co-ordination in Italy*. London: Macmillan.
- Hogwood, B., Judge, D. and McVicar, M. 2000. *Agencies and accountability*. London: Macmillan.
- Marsh, D., Richards, D. and Smith, M.J. 2000. *The changing role of central government departments*. London: Macmillan.
- Marsh, D., Richards, D. and Smith, M.J. 2001. *The policy process in central government departments*. London: Macmillan.

- Müller, W. 2000. *Governing from the centre: core executive policy co-ordination in Austria*. London: Macmillan.
- Peters, B.G., Rhodes, R.A.W. and Wright, V. (eds.). 2000. *Administering the summit*. London: Macmillan.
- Rhodes, R.A.W. (ed.). 2000a. *Transforming British government, vol. 1: Changing institutions, vol. 2. Changing roles and relationships*. London: Macmillan.
- Rose, R. 2000. *The paradox of power: the Prime Minister in a shrinking world*. London: Macmillan.
- Smith, M. 1999. *The core executive in Britain*. London: Macmillan.
- Theakston, K. 1999. *Leadership in Whitehall*. London: Macmillan.
- Theakston, K. (ed.). 1999. *Bureaucrats and leadership*. London: Macmillan.
- Weller, P., Bakvis H. and Rhodes, R.A.W. (eds.). 1997. *The hollow crown*. London: Macmillan.

Books not in the series by the Director

- Rhodes, R.A.W. 1995a. *The new governance: governing without government*. London: ESRC/RSA.
- Rhodes, R.A.W. (ed.). 1995b. *British public administration: the state of the discipline* (special issue of *Public Administration* 73, 1).
- Rhodes, R.A.W. 1997a. *Understanding governance: policy networks, governance, reflexivity and accountability*. Buckingham: Open University Press.
- Rhodes, R.A.W. (ed.). 1998a. *Transforming British government* (Special issue of *Public Policy and Administration*, 13/4).
- Rhodes, R.A.W. (ed.). 1999a. *United Kingdom Volumes I & II*. Aldershot: Ashgate.
- Rhodes, R.A.W. (with Bruno Dente, Marco Cammelli and others) 1995. *Reformare la Pubblica Amministrazione*. Torino: Edizioni della Fondazione Giovanni Agnelli.
- Rhodes, R.A.W. and P. Dunleavy (eds.). 1995. *Prime Minister, Cabinet and core executive*. London: Macmillan.
- Rhodes, R.A.W., Peters, B.G. and Wright, V. (eds.). 1997. *Adminstrer le sommet de l'exécutif*. (Special issue of *Revue Française d'Administration Publique*, July/September, No. 82).
- Rhodes, R.A.W. and Weller, P. (eds.). 2000. *Mandarins or valets? The changing world of top officials*. Buckingham: Open University Press.

Books not in the series by the projects

- Bradbury, J. and Mawson J. (eds.). 1997. *British regionalism and devolution*. London: Jessica Kingsley.
- Bridgen, P. and Lowe, R. 1998. *Welfare policy under the Conservatives 1951–1964*. London: PRO Publications.
- Bulmer, S. and Burch, M. 2000a. *Mandarins, ministers and Europe*. Manchester: Manchester University Press.

- Burnham, J. 1999. *Whitehall and the civil service*. Sheffield: The Politics Association and Sheffield-Hallam University Press.
- Catterall, P., Kaiser, W. and Jordan, U. (eds.). 2000. *Political reform in twentieth century Britain: themes, ideas, policies*. London: Cass.
- Clifford, C., McMillan A. and McLean, I. 1997. *The organization of central government departments 1964–1992: a history*. Oxford: Nuffield College. This book is also available on the web see: <http://www.nuff.ox.ac.uk/politics/whitehall/index.html>
- vol. 1 Project synopsis;
 - vol. 2 Departmental function transfers;
 - vol. 3, pt. 1, Departments and ministers: departmental functions.
 - vol. 3, pt. 2, Departments and ministers: internal structural change;
 - vol. 3, pt. 3, Departments and ministers: ministers and ministerial office;
- Daintith, T. (ed.). 1997a. *Constitutional implications of executive self-regulation: the 'new' administrative law*. London: Institute of Advanced Legal Studies.
- Daintith, T. and Page, A. 1999. *The executive in the constitution: structure, autonomy and internal control*. Oxford: Oxford University Press.
- Day, P. and Klein, R. 1997. *Steering but not rowing? The transformation of the Department of Health: a case study*. Bristol: The Policy Press.
- Hall, S. and Mawson, J. 1999. *Challenge Funding contracts and area regeneration*. Bristol: Policy Press/Joseph Rowntree Foundation.
- Hood, C. 1998. *The art of the state*. Oxford: Clarendon.
- Hood, C., Scott, C., James, O., Jones, G. and Travers, T. 1999. *Regulation inside government: waste-watchers, quality police and sleaze busters*. Oxford: Oxford University Press.
- Kavanagh, D. 2000. *Changes in Number Ten*. London: European Policy Forum.
- Kavanagh, D. and Seldon, D. 1999. *The power behind the Prime Minister: the hidden influence of No. 10*. London: HarperCollins.
- Lowe, R. 1998. *The welfare state in Britain*. London: Macmillan.
- Page, E. (ed.). 2000. *The role of senior officials in the modern state*. Oxford: Oxford University Press.
- Page, E. and Wright, V. (eds.). 2000. *Bureaucratic elites in West European states*. Oxford: Oxford University Press.
- Richards, D. 1997. *The civil service under Thatcher*. Brighton: Sussex University Press.
- Seargeant, J. and Steele, J. 1997. *Consulting the public. Guidelines and good practice*. London: Policy Studies Institute.
- Seargeant, J. and Steele, J. 1999. *Who asked you? The citizen's perspective on participation*. London: Improvement and Development Agency.
- Seldon, A. 1999. *Number Ten – an illustrated history*. London: HarperCollins.
- Wright, V. and Pagoulatos, G. (eds.). 2000. *Privatisation and public policy*. Aldershot: Edward Elgar.

Wright, V., Kassim, H. and Peters, B.G. (eds.). 2000. *EU policy co-ordination: the national dimension*. Oxford: Oxford University Press.

Director's articles

- Rhodes, R.A.W. 1992. 'Beyond Whitehall: researching local governance', *Social Science* 13, (Nov) 2.
- Rhodes, R.A.W. 1994a. 'Reinventing excellence: or how best-sellers thwart the search for lessons to transform the public sector', *Public Administration* 72, 279–87.
- Rhodes, R.A.W. 1994b. 'The hollowing out of the state', *The Political Quarterly* 65, 138–51.
- Rhodes, R.A.W. 1995c. 'The state of public administration: a professional history of the 1980s', *Public Administration* 73, 1–16.
- Rhodes, R.A.W. 1995d. 'The changing face of public administration', *Politics* 15, 117–26.
- Rhodes, R.A.W. 1996a. 'From institutions to dogma: tradition, eclecticism and ideology in the study of British Public Administration', *Public Administration Review* 56, 6, 507–16.
- Rhodes, R.A.W. 1996b. 'Looking beyond managerialism', *Australian Journal of Public Administration* 55, 2, 1–4.
- Rhodes, R.A.W. 1996c. 'Agencies in British government: revolution or evolution?', *Diritto Pubblico* 3, 731–54.
- Rhodes, R.A.W. 1996d. 'The new governance: governing without government', *Political Studies* 44, 652–67.
- Rhodes, R.A.W. 1997b. 'Diplomacy in governance', *Politics Today* 7, 3, 24–7. Edited version reprinted in *Public Finance Foundation Review*, 13, 8–10.
- Rhodes, R.A.W. 1997c. 'It's the mix that matters: from marketisation to diplomacy', *Australian Journal of Public Administration* 56, 40–53. Reprinted in *Public Policy and Administration* 12, 3, 31–50.
- Rhodes, R.A.W. 1998b. 'Different roads to unfamiliar places: UK experience in comparative perspective', *Australian Journal of Public Administration* 57, 19–31.
- Rhodes, R.A.W. 1998c. 'Diplomacy in governance', *Politics Today* 7, 3, 24–7.
- Rhodes, R.A.W. 1998d. 'L'evoluzione del governo centrale in Gran Bretagna: il programma Whitehall dell'ESRC', *Storia Amministrazione Costituzione* 6, 297–303.
- Rhodes, R.A.W. 1998e. 'The changing nature of central government in Britain: the ESRC's Whitehall Programme', *Public Policy and Administration* 13, 4, 1–11.
- Rhodes, R.A.W. 1999a. 'Traditions and public sector reform in Britain and Denmark', *Scandinavian Political Studies* 22, 4, 341–70.
- Rhodes, R.A.W. 2000b. 'A guide to the ESRC's Whitehall Programme, 1994–2000', *Public Administration* 78, 2, 251–82.
- Rhodes, R.A.W. 2000c. 'New Labour's civil service: summing up joining up', *The Political Quarterly*, 71, 2, forthcoming.

- Rhodes, R.A.W. 2000d. 'The governance narrative', *Talking politics*. (forthcoming).
- Rhodes, R.A.W. 2000f. 'The governance narrative: findings and lessons from the ESRC's Whitehall Programme', *Public Administration* 78, 2, 344–62.
- Rhodes, R.A.W. and Bevir, M. 1998a. 'Public administration without foundations', *Administrative Theory & Praxis* 20/1: 3–13.
- Rhodes, R.A.W. and Bevir, M. 1998b. 'Narratives of "Thatcherism"', *West European Politics* 21, 1, 97–119.
- Rhodes, R.A.W. and Bevir, M. 1999a. 'Studying British government: reconstructing the research agenda', *British Journal of Politics and International Relations* 1, 2, 215–39.
- Rhodes, R.A.W. and Bevir, M. 1999b. 'Les récits du régime politique britannique', *Revue Française de Science Politique* 49, 6, 355–77.
- Rhodes, R.A.W. and Bevir, M. 2000a. 'Decentering tradition: interpreting British government', *Administration and Society*, forthcoming.
- Rhodes, R.A.W. and Dargie, C. 1996. 'Traditional public administration', *Public Administration* 74, 325–32.
- Rhodes, R.A.W. and Marsh, D. 1995. 'The concept of policy networks in British political science: its development and utility', *Talking Politics* 8, 28–40.
- Rhodes, R.A.W., Peters, B.G. and Wright, V. 1997. 'Tendances convergentes et spécificités nationales', *Revue Française d'Administration Publique* (July/Sept.) 82, 381–95.
- Rhodes, R.A.W. and Bevir, M. 2000b. 'Analysing networks: from typologies of institutions to narratives of beliefs', *Revue Française d'Administration Publique* (forthcoming).

Project articles

- Andeweg, R. 1999. 'Advising the Prime Minister', *Public Money and Management* 19, 1, 13–17.
- Barker, K. and Beesley, A. 1998. 'La privatisation des laboratoires de recherche en Grande Bretagne', *Realités Industrielles (Annales des Mines)* (Feb.) 45–49.
- Boden, R., Gummert, P., Cox, D., and Barker, K. 1998. 'Men in white coats . . . men in grey suits: new public management and the funding of science and technology services to the UK Government', *Accounting, Auditing and Accountability Journal* 11, 3, 267–91.
- Boden, R., Gummert, P., Cox, D., and Barker, K. 2000. 'Lab Reports: from the public to the private', *Accounting, Organisations and Society* (forthcoming).
- Brady, C. 1999. 'The management of cabinet government during the Suez Crisis', *Contemporary British History* 11, 2, 65–93.
- Brady, C. and Catterall, P. 1997. 'Managing the core executive', *Public Administration* 75, 3, 509–29.
- Bridgen, P. 2000. 'Making a mess of modernisation: the state, redundancy

- pay and economic policy making in the early 1960s', *Twentieth Century British History* 11, (forthcoming).
- Bridgen, P. 2000. 'The one nation idea and state welfare: the Conservatives and pensions', *Contemporary British History* (forthcoming).
- Bulmer, S. and Burch, M. 1997a. 'Maastricht II und danach: Großbritannien doch am Herzen Europas?', *Wirtschaftsdienst* 77. Jg., Nr. 7: 381–5.
- Bulmer, S. and Burch, M. 1998a. 'Organising for Europe: Whitehall, the British state and European Union', *Public Administration* 76, 4, 601–28.
- Burnham, J. and Jones, G.W. 1997. 'Policy advice to the core executive', *Public Finance Foundation Review* 16, 8–15.
- Catterall, P. 1997a. 'Handling the transfer of power: a note on the origin of the Douglas-Hume Rules', *Contemporary British History* 11/1, 76–82.
- Catterall, P. 1998. 'The Cabinet', *Modern History Review* 10, 1, 15.
- Catterall, P. and Brady, C. 1998. 'Cabinet committees in British governance', *Public Policy and Administration* 13/4, 67–84.
- Clifford, C. 1997. 'The rise and fall of the Department of Economic Affairs', *Contemporary British History* 11, 94–142.
- Daintith, T. 1998. 'The legal effects of the Appropriation Act', *Public Law* 552–7.
- De Vries, J. and Yesilkagit, K. 1999. 'Core executives and party politics: privatisation in the Netherlands', *West European Politics* 22, 1.
- Dolowitz, D., Marsh, D., O'Neill, F. and Richards, D. 1996. 'Thatcherism and the 3Rs', *Parliamentary Affairs* 49, 455–70.
- Elder, N.C.M. and Page, E. 1998. 'Culture and agency: fragmentation and agency structures in Germany and Sweden', *Public Policy and Administration* 13, 4, 28–45.
- Goetz, K. 1997. 'Acquiring political craft: training grounds for top officials in the German core executive', *Public Administration* 75, 4, 753–75.
- Goetz, K. 1998. 'Politics, civil servants and bureaucratic legitimacy', *Revue Française d'Administration Publique* 86, 183–94.
- Goetz, K. and Margetts, H. 2000. 'The solitary centre: the core executive in central and eastern Europe', *Governance* 12, 425–53.
- Hay, C. and Richards, D. 1999. 'The tangled webs of Westminster and Whitehall: the discourse strategy and practice of networking within the British core executive', *Public Administration* 78, 1, 1–28.
- Hayward, J. 1997. 'Un Premier Ministre, pour quoi faire', *Pouvoirs* (Nov.) 83, 5–20.
- Heywood, P. 1998. 'Power diffusion or concentration? In search of the Spanish policy process', *West European Politics* 21, 4, 103–23.
- Heywood, P. and Molina, I. 1997. 'The administration of executive power in Spain', *Revue Française d'Administration Publique* (July/Sept.) 82, 447–58.
- Hogwood, B.W. 1997. 'The machinery of government 1979–97', *Political Studies* 45, 4, 704–15.

- Hood, C. 1996. 'Control over bureaucracy: cultural theory and institutional variety', *Journal of Public Policy* 15, 207–30.
- Hood, C. and Scott, C. 1996a. 'Bureaucratic regulation and new public management in the UK: mirror image developments', *Journal of Law and Society* 23, 321–45.
- Hood, C., James, O., Jones, G., Scott, C. and Travers, T. 1998. "Regulation inside government". Where new public management meets the audit explosion', *Public Money and Management* 18, 2, 61–8.
- Jones, G.W. 1998. 'Reforming No. 10', *Talking Politics* 11, 1, 21–7. Revised and updated version of an article published in *Public Finance Foundation Review* 16, (Aug.) 1997, 8–15.
- Judge, D., Hogwood, B.W. and McVicar, M. 1997. 'The pond life of executive agencies', *Public Policy and Administration* 12, 2, 95–115.
- Lowe, R. 1996a. 'The influence of ideas on social policy', *Contemporary British History* 10, 160–77.
- Lowe, R. 1997a. 'Milestone or millstone? The 1959–1961 Plowden Committee and its impact on British welfare state policy', *The Historical Journal* 40, 2, 463–91.
- Lowe, R. 1997b. 'Plumbing new depths? Contemporary historians and the Public Record Office', *Twentieth Century British History* 8, 239–65.
- Lowe, R. 1997c. 'The core executive, modernisation and the creation of PESC, 1960–64', *Public Administration* 75, 4, 601–15.
- Marsh, D. and Smith, M.J. 2000. 'Understanding policy networks: a dialectical approach', *Political Studies* 48, 4–21.
- Marsh, D., Smith, M.J. and Richards, D. 2000a. 'Bureaucrats, politicians and reform in Whitehall: analysing the bureau-shaping model', *British Journal of Political Science* (forthcoming).
- Marsh, D., Smith, M.J. and Richards, D. 2000b. 'Re-assessing the role of departmental cabinet ministers', *Public Administration* 78, 2, 305–26.
- Mawson, J. 1996. 'The re-emergence of the regional agenda in the English regions: new patterns of urban and regional governance', *Local Economy* 10, 4, 300–26.
- Mawson, J. 1998. 'English regionalism and New Labour', *Regional and Federal Studies* 8, 1, 158–75.
- Mawson, J. and Spencer, K. 1997. 'The Government Offices for the English Regions: towards regional governance?' *Policy and Politics* 25, 1, 71–84.
- McLean, I. and Johnes, D. 1999. 'Regulating gifts of generosity: the Aberfan Disaster Fund and the Charity Commission', *Legal Studies* 19, 380–96.
- McVicar, M., Judge, D. and Hogwood, B.W. 1998. 'Too much of a good thing?', *The Stakeholder* 2, 1, 10–11.
- Menon, A. and Wright, V. 1998. 'The paradoxes of "failure": British EU policy making in comparative perspective', *Public Policy and Administration* 13, 4, 46–66.

- Newman, J., Richards, S. and Smith, P. 1998. 'Market testing and institutional change in the UK Civil Service: compliance, non-compliance and engagement', *Public Policy and Administration* 13, 4, 96–110.
- Norton, P. 1997a. 'Leaders or led? Senior ministers in British government', *Talking Politics* 10, 2, 78–85.
- Norton, P. 1997b. 'Ministers and Parliament', *The Journal of Legislative Studies* 3, 4, 1–24.
- Page, A. 1998. 'Controlling government from within: a constitutional analysis', *Public Policy and Administration* 13, 4, 85–95.
- Parry, R. and Deakin, N. 1998. 'The Treasury and social policy', *Talking Politics* 10, 3, 166–70.
- Parry, R., Hood, C. and James, O. 1997. 'Reinventing the Treasury: economic rationalism or an econocrat's fallacy of control?', *Public Administration* 75, 3, 395–415.
- Richards, D. 1996a. 'Appointments to the highest grades in the civil service. Drawing the curtain open', *Public Administration* 74, 4, 657–77.
- Richards, D. 1996b. 'Elite interviewing: approaches and pitfalls', *Politics* 16, 3, 199–204.
- Richards, D., Smith, M.J. and Marsh, D. 2000. 'Power, knowledge and the core executive: the living chimera of the public service ethos and the role of the British civil service', *West European Politics* (forthcoming).
- Richards, S., Smith, P. and Newman, J. 1996. 'Shaping and reshaping market testing policy', *Public Policy and Administration* 11, 2, 19–34.
- Ringe, A. 1998a. 'Background to Neddly: economic planning in the 1960s', *Contemporary British History*, 12, 1, 82–98.
- Ringe, A. 1998b. 'The National Economic Development Council 1962–67', *Contemporary British History* 12, 1, 99–130.
- Ringe, A. and N. Rollings. 2000. 'Responding to relative decline: the creation of the NEDC', *Economic History Review*, May (forthcoming).
- Rollings, N. 1994. "'Poor Mr Butskell: a short life, wrecked by schizophrenia'?", *Twentieth Century British History* 5, 2, 183–205.
- Rose, R. 1997. 'On the crest of a wave', *Parliamentary Affairs* 50, 4, 750–56.
- Rose, R. 1998. 'The sound of one hand clapping: the world moves away from the White House', *Presidential Studies Quarterly* 28, 4, 844–50.
- Smith, M. 1994. 'The core executive and the resignation of Mrs Thatcher', *Public Administration* 72, 341–64.
- Smith, M.J. 1998. 'Theoretical and empirical challenges to British Central Government', *Public Administration* 76, 3, 45–72.
- Smith, M.J. and Richards, D. 1997. 'How departments change: windows of opportunity and critical junctures in three departments', *Public Policy and Administration* 12, 3, 31–50.
- Smith, M., Marsh, D. and Richards, D. 1993. 'Central government departments and the policy process', *Public Administration* 71, 546–94.

- Spencer, K. and Mawson, J. 1998. 'Government offices and policy co-ordination in the English regions', *Local Governance* 24, 2, 3–11.
- Theakston, K. 1997a. 'Comparative biography and leadership in Whitehall', *Public Administration* 75, 651–67.
- Theakston, K. 1997b. 'Labour and Whitehall: mandarins set to stay in plumb jobs', *Parliamentary Monitor* 5, 5, 18–20.
- Theakston, K. 1997c. 'New Labour, New Whitehall?', *Public Policy and Administration* 13, 13–33. Edited version in *British Politics Group Newsletter* No. 87 Winter, 12–14.
- Theakston, K. 1997d. 'Whirlwind follows Blair through No. 10's door', *Parliamentary Monitor* 5, 11, 18–19.
- Theakston, K. 1998. 'Permanent secretaries: leadership as conservation', *Public Management and Policy Review* 3 (Nov.), 5–8.
- Theakston, K. 1999. 'Junior ministers in the 1990s', *Parliamentary Affairs* 52, 230–45.
- Theakston, K. with Hargrove, E.C. and Bell, D.S. 1999. 'Presidential and prime ministerial leadership compared: Bush, Major, Chirac', *Presidential Studies Quarterly* 29, 2, 528–48.
- Walzenbach, G. 1999. 'Convergent co-ordination patterns in the French and German Core Executives: the case of the BSE Crisis', *West European Politics* 22, 3, 64–86.
- Whiteside, N. 1997. 'Regulating markets: the real costs of polycentric administration under the National Health Insurance Scheme, 1912–46', *Public Administration* 75, 467–85.
- Whiteside, N. 1998a. 'Private agencies for public purposes', *Talking Politics* 10, 3, 162–6.
- Whiteside, N. 2000a. 'Health insurance in Britain and Germany: a comparison', *Social History of Medicine* (forthcoming).
- Wright, V. 1996. 'Die Demontage der traditionellen Verwaltung in Grossbritannien', *Verwaltungswissenschaftliche Informationen* 24, 47–56.
- Wright, V. 1996–97. 'Redefiniendo el Estado: las implicaciones par la Administración Publica', *Gestión y Analisis de Políticas Publicas* 7–8, 27–34.
- Wright, V. 1997a. 'Démocratiser l'élite administrative française', *Pouvoirs* 80, 101–14.
- Wright, V. 1997b. 'La fin du dirigisme?', *Modern and Contemporary France* 5, 151–5.
- Wright, V. 1999. 'Le Rôle législatif du Conseil d'Etat à travers les régimes politiques', *Revue Administrative* (forthcoming).
- Wright, V. and Clifford, C. 1998. 'The politicisation of the British civil service: ambitions, limits and conceptual problems', *Revue Française d'Administration Publique* 86 (Apr.–June), 267–80.

Director's chapters

Rhodes, R.A.W. 1995e. 'Introducing the core executive'. In R.A.W. Rhodes and P. Dunleavy (eds.), *Prime Minister, Cabinet and core executive*. London: Macmillan.

Rhodes, R.A.W. 1995f. 'From prime ministerial power to core executive', in R.A.W. Rhodes and P. Dunleavy (eds.), *Prime Minister, Cabinet and core executive*. London: Macmillan.

Rhodes, R.A.W. 1995g. 'Guide to further reading', in R.A.W. Rhodes and P. Dunleavy (eds.), *Prime Minister, Cabinet and core executive*. London: Macmillan.

Rhodes, R.A.W. 1995h. 'Les reseaux d'action publique en Grande-Bretagne' in *Les Reseaux de Politique Publique. Debat autour des policy networks*. Sous la direction de Patrick LeGales et Mark Thatcher. Paris: Editions L'Harmattan.

Rhodes, R.A.W. 1995i. 'The institutional approach', in D. Marsh and G. Stoker (eds.), *Theories and methods in political science*. London: Macmillan.

Rhodes, R.A.W. 1995j. 'Governance in the hollow state', in M. Blunden and M. Dando (eds.), *Rethinking public policy making. Questioning assumptions, challenging beliefs*. London: Sage.

Rhodes, R.A.W. 1996e. 'Policy networks and policy making in the European Union: a critical appraisal', in L. Hooghe (ed.), *Cohesion policy and European integration*. Oxford: Clarendon Press.

Rhodes, R.A.W. 1997d. 'Reinventing Whitehall, 1979-95', in W. Kickert (ed.), *Public management and administrative reform in Western Europe*. Aldershot: Edward Elgar.

Rhodes, R.A.W. 1997e. 'Foreword by Professor R.A.W. Rhodes' to W.J.M. Kickert, E.H. Klijn and J.F.M. Koppenjan (eds.), *Managing complex networks: strategies for the public sector*. London: Sage.

Rhodes, R.A.W. 1997f. 'Shackling the leader? Coherence, capacity and the Hollow Crown', in P. Weller, H. Bakvis and R.A.W. Rhodes (eds.), *The hollow crown*. London: Macmillan.

Rhodes, R.A.W. 1999b. 'Foreword: governance and networks', in G. Stoker (ed.), *The new management of British local governance*. London: Macmillan. Edited version reprinted in G. Stoker (ed.), *The new politics of British local governance*. London: Macmillan.

Rhodes, R.A.W. 2000h. 'The ESRC Whitehall Programme: a guide to institutional change', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions*. London: Macmillan.

Rhodes, R.A.W. 2000i. 'The governance narrative', in R.A.W. Rhodes (ed.), *Transforming British Government, vol. 1: Changing institutions*. London: Macmillan.

Rhodes, R.A.W. 2000j. 'The ESRC Whitehall Programme: a guide to changing roles and relationships', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Rhodes, R.A.W. 2000k. 'Understanding the British governmental tradition:

- an anti-foundational approach', in R.A.W. Rhodes (ed.), *Transforming British Government*, vol. 2: *Changing roles and relationships*. London: Macmillan.
- Rhodes, R.A.W. 2000l. 'Public administration and governance' in J. Pierre (ed.), *Debating Governance*. Oxford: Oxford University Press.
- Rhodes, R.A.W. 2001. 'Everybody but us: departmental secretaries in Britain 1970–1999', in R.A.W. Rhodes and P. Weller (eds.), 2000, *Mandarin or valets? The changing world of top officials*. Buckingham: Open University Press.
- Rhodes, R.A.W., Bache, I. and George, S. 1996. 'The European Union, Cohesion Policy and Subnational Authorities in the United Kingdom', in L. Hooghe (ed.), *Cohesion policy and European integration*. Oxford: Clarendon Press.
- Rhodes, R.A.W., George, S. and Bache, I. 1997. 'Regionalism in a unitary state: the case of the UK', in J.J. Hesse (ed.), *Regions in Europe II: The regional potential*. Baden-Baden: Nomos.
- Rhodes, R.A.W. and Weller, P. 2000. 'Enter centre stage – the departmental secretaries', In R.A.W. Rhodes and P. Weller (eds.), *Mandarin or valets? The changing world of top officials*. Buckingham: Open University Press.

Project chapters

- Andeweg, R.B. 1997. 'Collegiality and collectivity: Cabinets, cabinet committees and cabinet ministers', in P. Weller *et al.* (eds.), *The hollow crown*. London: Macmillan.
- Andeweg, R.B. and Timmermans, A. 1997. 'Die Niederlande: Immer noch Politik der gütlichen Einigung', in W.C. Müller and K. Strom (eds.), *Koalitionsregierungen in Westeuropa*. Vienna: Signum.
- Brady, C. 1997. 'The Cabinet Office' and 'War cabinets', in J. Shafritz (ed.), *International Encyclopaedia of Public Policy and Administration*. New York: Westview.
- Buller, J. and Smith, M.J. 1998. 'Civil service attitudes to the European Union', in D. Baker and D. Seawright (eds.), *Europe: for and against*. Oxford: Oxford University Press.
- Bulmer, S. 2000. 'The United Kingdom: between political controversy and administrative efficiency', in A. Maurer, J. Mittag and W. Wessels (eds.), *Fifteen into one: European Union and the member states*. Manchester: Manchester University Press.
- Bulmer, S. and Burch, M. 2000b. 'The Europeanisation of British central government', in R.A.W. Rhodes (ed.), *Transforming British government*, vol. 1. *Changing institutions*. London: Macmillan.
- Bulmer, S. and Burch, M. 2000c. 'The "Europeanisation" of British central government', in M. Aspinall and G. Schneider (eds.), *The rules of integration*. Manchester: Manchester University Press.
- Bulmer, S., Jeffrey, C. and Paterson, W. 1998. 'Deutschlands europäische

Diplomatie: die Entwicklung des regionalen Milieus', in W. Weidenfeld (ed.), *Deutsche Europapolitik: Optionen wirksamer Interessenvertretung*. Bonn: Europa Union Verlag.

Burnham, J. and Jones, G.W. 1999. 'Innovators at No. 10 Downing Street', in K. Theakston (ed.), *Leadership in Whitehall*. London: Macmillan.

Burnham, J. and Jones, G.W. 2000. 'The evolving Prime Minister's Office: 1868–1997', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1. Changing institutions*. London: Macmillan.

Catterall, P. 1997b. 'Efficiency with freedom? Debates about the British Constitution in the Twentieth Century', in P. Catterall, W. Kaiser and U. Jordan (eds.), *Political reform in Twentieth Century Britain: themes, ideas, policies*. London: Cass.

Catterall, P. and Brady, C. 2000. 'The development and role of cabinet committees in Britain', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions*. London: Macmillan.

Daintith, T. 1997b. 'Legal control of administrative action', in T. Daintith (ed.), *Constitutional implications of executive self-regulation: the 'new' administrative law*. London: Institute of Advanced Legal Studies.

Day, P. and Klein, R. 2000. 'The politics of managing the NHS', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions*. London: Macmillan.

Deakin, N. and Parry, R. 1993. 'Does the Treasury have a social policy?', in R. Page and N. Deakin (eds.), *The cost of welfare*. Aldershot: Avebury.

Deakin, N. and Parry, R. 1998. 'The Treasury and New Labour's social policy', in E. Brunnsden, H. Dean and R. Woods (eds.), *Social Policy Review 10*. London: Social Policy Association.

Deakin, N. and Parry, R. 2000. 'The Treasury and social policy', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Elder, N.C. and Page, E. 2000. 'Accountability and control in next steps agencies', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing Institutions*. London: Macmillan.

Flinders, M., Richards, D. and Smith, M.J. 1999. 'Memorandum', in *Select Committee of Public Administration: public accountability*. London: The Stationery Office.

Goetz, K. 2000b. 'Senior officials in the German federal administration: institutional change and positional differentiation', in E. Page and V. Wright (eds.), *Bureaucratic elites in West European states*. Oxford: Oxford University Press.

Gummett, P., Cox, D., Boden, R. and Barker, K. 2000. 'The changing central government of science and technology', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Hayward, J.E.S. and Wright, V. 2000b. 'Governing from the centre: policy

co-ordination in six European core executives', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Hogwood, B.W. 1998. 'UK regulatory institutions: increasing regulation in the "shrinking state"', in G.B. Doern and S. Wilks (eds.), *Regulatory institutions in Britain and America*. Toronto: University of Toronto Press.

Hogwood, B.W. and Judge, D. 2000. 'Agencification and ministerial accountability in the UK', in E. Schröter and H. Wollman (eds.), *Public Sector Modernisation in Britain and Germany*. London: Macmillan.

Hogwood, B.W., Judge, D. and McVicar, M. 2000a. 'Agencies and Accountability', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions*. London: Macmillan.

Hogwood, B.W., Judge, D. and McVicar, M. 2000b. 'Agencies, ministers and civil servants in Britain', in B.G. Peters and J. Pierre (eds.), *Politicians, bureaucrats and administrative reform: the changing balance*. London: Routledge.

Hood, C. and James, O. 1997a. 'The central executive', in P. Dunleavy *et al.* (eds.), *Developments in British politics* 5. London: Macmillan.

Hood, C., Scott, C. and James, O. 2000. 'Bureaucratic game keeping: regulation of UK public administration 1976–96', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions*. London: Macmillan.

Kavanagh, D. and Seldon, A. 2000. 'The power behind the Prime Minister: the hidden influence of No. 10', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Loughlin, M. and Scott, C. 1997. 'The regulatory state', in P. Dunleavy *et al.* (eds.), *Developments in British Politics* 5. London: Macmillan.

Lowe, R. 1996b. 'The re-planning of the welfare state, 1957–64', in M. Francis *et al.* (ed.), *The Conservatives and British society, 1880–1990*. Cardiff: University of Wales Press.

Lowe, R. and Rollings, N. 2000. 'Modernising Britain 1957–1964: a classic case of centralisation and fragmentation?', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions*. London: Macmillan.

Mawson, J. 1999. 'The English regions and the wider constitution and administration reforms', in J. Dungey and I. Newman (eds.), *The new regional agenda*. London: Local Government Information Unit.

McLean, I., Clifford, C. and McMillan, A. 1999. 'Aberfan at the Public Record Office', in M. Hughes (ed.), *Aberfan – our Heritage – an anthology of poetry, prose and pictures*. Aberfan: Aberfan & Merthyr Vale Community Co-operative.

McLean, I., Clifford, C. and McMillan, A. 2000. 'The Organization of Central Government departments: a history 1964–1992', in R.A.W. Rhodes (ed.),

Transforming British government, vol. 1: Changing institutions. London: Macmillan.

Menon, A. 2000. 'EU Co-ordination in France', in Wright, V., Kassim, H. and Peters, B.G. (eds.), *EU Policy Co-ordination: the national dimension.* Oxford: Oxford University Press.

Müller, W. 1996a. 'Political institutions', in V. Lauber (ed.), *Contemporary Austrian Politics.* Boulder: Westview Press.

Müller, W. 1996b. Blondel, J. and Müller-Rommell, F. 'Austria: Party Government Within Limits', in J. Blondel and M. Cotta (eds.), *Party and government.* London: Macmillan.

Müller, W. 1997a. 'Das Regierungssystem', in H. Dachs et al. (eds.), *Handbuch des politischen Systems Österreichs.* Vienna: Manz.

Müller, W. 1997b. 'Regierung und Kabinettsystem', in H. Dachs et al. (eds.), *Handbuch des politischen Systems Österreichs.* Vienna: Manz.

Müller, W. 1998. 'Österreich: Festgefügte Koalitionen und stabile Regierungen', in W.C. Müller and K. Strom (eds.), *Koalitionsregierungen in Westeuropa,* Vienna: Signum.

Müller, W. 2000b. 'EU Co-ordination in Austria: challenges and responses', in V. Wright, H. Kassim and B. G. Peters (eds.), *EU policy co-ordination: the national dimension.* Oxford: Oxford University Press.

Müller, W. and Gerlich, P. 1997. 'Austria: Routine and Ritual', in J. Blondel and F. Müller-Rommel (eds.), *Cabinets in Western Europe.* London: Macmillan.

Müller, W. and Leigl, B. 2000. 'Senior officials in Austria: a first mapping exercise', in E. Page and V. Wright (eds.), *Bureaucratic elites in West European states.* Oxford: Oxford University Press.

Newman, J., Richards, S. and Smith, P. 2000. 'Modelling institutional change: the making of markets', in R.A.W. Rhodes (ed.), *Transforming British Government, volume 2: Changing roles and relationships.* London: Macmillan.

Norton, P. 2000. 'Barons in a shrinking kingdom: senior ministers in British government', in R.A.W. Rhodes (ed.), *Transforming British government, volume 2: Changing roles and relationships.* London: Macmillan.

Page, A. 1997a. 'The constitutional implications of executive self-regulation in the United Kingdom', in G. Little (ed.), *The legal regulation of economic and social order.* Stirling: Scottish Socio-Legal Studies Association.

Page, A. 1997b. 'Toolboxes and blueprints: controlling the control of the executive and the new administrative law', in T. Daintith (ed.), *Constitutional implications of executive self-regulation: the 'new' administrative law.* London: Institute of Advanced Legal Studies.

Page, A. 2000. 'The Citizen's Charter and administrative justice', in Harris and Partington (eds.), *Administrative justice in the 21st century.* Oxford: Hart.

Page, A. and Daintith, T. 2000. 'Internal control in the executive and its constitutional significance', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions.* London: Macmillan.

- Parry, R. 1999: 'Explaining the sustainable limits of public expenditure in the British welfare state', in S. Kuhnle (ed.), *Survival of the European welfare state*. London: Routledge.
- Richards, D. 1999a. 'The Conservatives, New Labour and Whitehall: a biographical examination of the political flexibility of the mandarin cadre', in K. Theakston (ed.), *Bureaucrats and Leadership*. London: Macmillan.
- Richards, D. 1999b. 'Central administration', in P. Catterall (ed.), *Contemporary Britain: an annual review 1998*. London: Institute of Contemporary British History.
- Richards, D. 2000. 'New Labour, the state and the constitution', in Smith, M.J. and Ludlam, S. (eds.), *New Labour in power*. London: Macmillan.
- Richards, D. and Smith, M.J. 1998. 'The gatekeepers of the common good: power and the public service ethos', in A. Hondeghem (ed.), *Ethics and accountability in a context of governance and the new public management*. Amsterdam: IOS Press.
- Richards, D. and Smith, M.J. 1999. 'Breaking the policy bias: windows of opportunity and the realignment of structural constraints in three government departments', in A. Cortell and S. Peterson (eds.), *Transforming political institutions: a comparative study of the sources and consequences of domestic change*. Wisconsin: University of Wisconsin Press.
- Ringe, A. and Rollings, N. 2000. 'Domesticating the "market animal"? the Treasury and the Bank of England 1955–60', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions*. London: Macmillan.
- Rollings, N. 1996. 'Butskellism, the post-war consensus and the managed economy', in H. Jones and M. Kandiah (eds.), *The myth of consensus. New views of British history, 1945–64*. London: Macmillan.
- Rose, R. 1997. 'The New Labour government', in P. Norris and N.T. Gavin (eds.), *Britain votes 1997*. Oxford: Oxford University Press.
- Rose, R. 2000. 'When and why does a Prime Minister change?', in R.A.W. Rhodes (ed.), *Transforming British Government, vol. 2: Changing roles and relationships*. London: Macmillan.
- Smith, M. 1995. 'Interpreting the rise and fall of Margaret Thatcher: power dependence and the core executive', in R.A.W. Rhodes and P. Dunleavy (eds.), *Prime Minister, Cabinet and core executive*. London: Macmillan.
- Smith, M. 1996. 'Reforming the state', in S. Ludlam and M.J. Smith (eds.), *Contemporary British Conservatism*. London: Macmillan.
- Smith, M.J. 1999. 'Centre of power: the institutions of government', in I. Holliday et al. (eds.), *Fundamentals in British politics*. London: Macmillan.
- Smith, M., Marsh, D. and Richards, D. 1995. 'Central government departments and the policy process', in R.A.W. Rhodes and P. Dunleavy (eds.), *Prime Minister, Cabinet and core executive*. London: Macmillan.
- Smith, M., Richards, D. and Marsh, D. (eds.) 2000. 'The changing role of central government departments', in R.A.W. Rhodes (ed.), *Transforming*

British government, vol. 2: Changing roles and relationships. London: Macmillan.

Smith, M.J. 2000. 'Prime Ministers, ministers and civil servants in the core executive', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 1: Changing institutions*. London: Macmillan.

Spencer, K. and Mawson, J. 2000. 'Transforming regional government offices in England: a new Whitehall agenda', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Steele, J. and Seargeant, J. 2000. 'Public involvement: making it work', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Theakston, K. 1999. 'The biographical approach to public administration: potential, purposes, problems', in K. Theakston (ed.), *Bureaucrats and leadership*. London: Macmillan.

Theakston, K. 1999. 'Ministers and civil servants', in L. Robbins and R. Pyper (eds.), *Changing UK governance*. London: Macmillan.

Theakston, K. 1999. 'A permanent revolution in Whitehall: the Major government and the civil service', in P. Dorey (ed.), *The Major premiership*. London: Macmillan.

Theakston, K. 1999. 'Labour and the civil service', in G.R. Taylor (ed.), *The impact of New Labour*. London: Macmillan.

Theakston, K. 2000. 'Permanent secretaries: comparative biography and leadership in Whitehall', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Whiteside, N. 1998b. 'An investigation into quasi-markets in the inter-war years', in J.W. LeGrande and W. Bartlett (eds.), *A revolution in social policy: quasi-market reform in the 1990s*. Bristol: Policy Press.

Whiteside, N. 1999. 'Private provision and public welfare: health insurance between the wars', in D. Gladstone (ed.), *Before Beveridge: welfare before the welfare state*. London: IEA.

Whiteside, N. 2000b. 'La Charte de las Mutualité et la loi de 1911 en Grande Bretagne: comparaison des systèmes britanniques et français', in Gibard et Gueslin Dreyfus (dir.) *Sociétés des secours mutuels au dix-neuvième siècle*. Paris: Mutualité Française.

Whiteside, N. 2000c. 'Accounting and accountability: an historical case study of a private-public partnership', in R.A.W. Rhodes (ed.), *Transforming British government, vol. 2: Changing roles and relationships*. London: Macmillan.

Wright, V. 1996. 'The national co-ordination of European policy making', in J.J. Richardson (ed.), *European Union: power and policy making*. London: Routledge.

Wright, V. and Heywood, P. 1996. 'Executive power in Western Europe', in M. Rhodes et al. (eds.), *Developments in West European Politics*. London: Macmillan.

Wright, V. and Pagoulatos, G. 2000. 'Privatisation in Southern Europe: political constraints on economic action', in L. Katseli and N. Diamandouras (eds.), *The transformation of Southern Europe*. London: Cass.

Occasional papers

Public service seminars

Klaus Goetz, *Challenges to the Public Bureaucracy State – Six Propositions on Administrative Development in Germany*.

Torben Beck Jørgensen, *From Agency to Department and Back Again: Contradictory Developments in Danish Public Administration*.

Patricia W. Ingraham, *Reinventing the American Federal Government: Reform, Redux or Real Change*.

Michael Power, *The Perils of the Audit Society*.

Michael Bichard and Andrew Likierman, *Outsiders and Insiders in Government*.

John Gray, *The Illusion of a Minimum State*.

Vernon Bogdanor, *Constitutional and Administrative Reform: Can Inquiries be Probing, Expeditious and Fair? Scott Compared with Earlier Inquiries*.

Ian Harden, *The Impact of the EU on Constitutional Reform*.

Francis Plowden, *The Appropriate Use of Management Consultants in Government*.

Terence Daintith, *Judicial Review and its Impact on Government*.

Mark Thatcher, *Regulation and Regulators: Is the Current System Working or is There a Need for Rationalisation and Reform?*

Martin Loughlin, *The Constitutional Dimension to Central-Local Relations*.

Christopher Foster, *Constitutional and Administrative Reform: Is the State Under Stress?*

Richard Parry and Nicholas Deakin, *The Treasury and Social Policy*.

Robin Butler, *Retrospective and Looking Forward*.

George Jones, *Reforming No. 10*.

Lord Norton of Louth, *The New Barons? Senior ministers in British Government*.

Paul Hirst, *How Global is Globalisation? And where does the UK fit in?*

Vernon Bogdanor, *Whither the Union?*

R.A.W. Rhodes, *The Governance Narrative*. (Papers 269–83: Public Policy Group, LSE. Papers 284–88, Warden's Office, Goldsmith College).

Other occasional papers

University of Manchester:

Bulmer, S. and Burch, M. 1996. 'The British core executive and European integration: a new institutionalist research prospectus', *Manchester Papers in Politics – EPRU Series*. No. 4. Department of Government, University of Manchester.

Bulmer, S. and Burch, M. 1997b. 'Organizing for Europe – Whitehall and the EU. An historical institutional approach', *Manchester Papers in Poli-*

tics – EPRU Series. No. 1. Department of Government, University of Manchester.

Bulmer, S. and Burch, M. 1998b. 'The "Europeanisation" of central government: the UK and Germany in historical institutionalist perspective', *Manchester Papers in Politics – EPRU Series. No. 6. Department of Government, University of Manchester.*

London School of Economics:

Hood, C. and James, O. 1996a. 'Regulation inside British government: the inner face of the regulatory state?', *Bureaucratic Gamekeeping Discussion Paper. No. 1.*

Hood, C. and Scott, C. 1996b. 'Bureaucratic regulation and new public management in the UK: mirror image developments?', *Bureaucratic Gamekeeping Discussion Paper. No. 2.*

Hood, C. and James, O. 1996b. 'Reconfiguring the UK executive: from public bureaucracy state to re-regulated public service?' *Bureaucratic Gamekeeping Discussion Paper. No. 3.*

Hood, C., James, O., Jones, G., Scott, C., Travers, T. and Tunstall, H. 1997. 'Regulation of the UK public sector: Mapping the terrain', *Bureaucratic Gamekeeping Discussion Paper. No. 4.*

Hood, C. and James, O. 1997b. 'Regulation inside government: problems of regulatory failure', *Bureaucratic Gamekeeping Discussion Paper. No. 5.*

Hood, C., James, O., Jones, G., Scott, C. and Travers, T. 1997. 'Waste watchers, quality checkers and sleazebusters', *Bureaucratic Gamekeeping Discussion Paper. No. 6.*

(All papers by Christopher Hood and colleagues available from: Department of Government, LSE).

Briefings

Richard Parry and Nicholas Deakin, *The Treasury and Social Policy.*

Jane Steele and John Sargeant, *Does Consultation Work?*

Noel Whiteside, *Private Agencies and Public Purposes.*

Patricia Day and Rudolph Klein, *Steering But Not Rowing? The transformation of the Department of Health.*

Neil Elder and Edward Page, *Accountability and Control in Next Steps Agencies: a comparison of Germany, Sweden and the United Kingdom.*

Ken Spencer and John Mawson, *Towards Policy Co-ordination at the Regional Level.*

Kevin Theakston, *Leadership as Conservatorship.*

Martin Smith, *What is the Core Executive?*

Christopher Hood and colleagues, *Wastewatchers, Quality Police and Sleazebusters.*

Chris Brady and Peter Catterall, *Assessing Cabinet Committees 1945–66.*

Brian Hogwood, David Judge and Murray McVicar. *The Audit of Accountability.*

une Burham and George Jones, *The Evolving Prime Minister's Office: 1868–1997*.

Dennis Kavanagh and Anthony Seldon, *Inside Number Ten 1970–98*.

Rodney Lowe and Neil Rollings, *Modernising Britain*.

Martin Smith, David Richards and David Marsh, *The Changing Role of Central Government Departments*.

Alan Page and Terence Daintith, *Controlling Government from Within*.

R.A.W. Rhodes, *The Governance Narrative*.

(All briefings edited by Professor R.A.W. Rhodes and available from him at: Department of Politics, University of Newcastle).

Other programme publications

Information Pack: *The ESRC Whitehall Programme: The Changing Nature of British Central Government*.

End of Award Report: *The ESRC Whitehall Programme: The Changing Nature of Central Government in Britain. Programme Director's End of Award Report, September 1999*.

(Both publications available from Professor R.A.W. Rhodes, Department of Politics, University of Newcastle.)

APPENDIX 2: LIST OF PROJECTS

Title	Principal investigator institution	Amount	Start date	End date
THEME ONE: Developing Theory: the new governance Bureaucratic game keeping regulation of UK public administration 1976–96	Professor C Hood London School of Economics and Political Science	£108,800	Professor Christopher Hood Department of Government The London School of Economics & Political Science Houghton Street London WC2A 2AE	1/7/95 30/9/97
THEME TWO Hollowing Out the State The British Core Executive and European Integration organisational impact and policy effects	Professor S.J. Bulmer University of Manchester Dr M Burch, University of Manchester	£84,530	Professor Simon Bulmer Department of Government University of Manchester Oxford Road Manchester M13 9PL Dr Martin Burch Department of Government University of Manchester Oxford Road Manchester M13 9PL	1/6/96 31/7/98
Central Government Research in the UK	Professor P.J. Gummett, University of Manchester	£120,660	Professor Philip Gummett Programme of Policy Research in Engineering, Science and Technology The University of Manchester Oxford Road, Manchester M13 9PL	1/4/95 31/3/98

Title	Principal investigator institution	Amount		Start date	End date
Policy Initiation and Co-ordination in Western Europe	Professor J.E.S. Hayward and Dr V. Wright, Oxford University	£192,850	Professor Jack Hayward Department of Politics The University, Hull HU6 7RX	1/9/95	31/8/98
THEME THREE: The Fragmenting Government Framework			Professor Edward Page Department of Politics University of Hull Cottingham Road Hull HU6 7RX	1/3/95	31/8/96
Accountability and Control in Next Steps Agencies: a cross national comparison	Professor E.C. Page and Dr N. Elder, University of Hull	£24,890			
Steering but not rowing? The mixed economy of health governance	Patricia Day and Professor R. Klein University of Bath	£73,880	Professor Rudolf Klein 12A Laurier Road London NW5 1SG	1/8/95	31/7/96
			Ms Patricia Day Centre for the Analysis of Social Policy (CASP) University of Bath School of Social Sciences Claverton Down, Bath BA2 7AY		
From Anderson to Fulton: policy making in Whitehall 1942-1966	Professor R. Lowe University of Bristol	£141,320	Professor Rodney Lowe University of Bristol Department of Historical Studies 13 Woodland Road Bristol BS8 1TB Dr Neil Rollings Department of Economic and Social History University of Glasgow 4 University Gardens Glasgow G12 8QQ	1/9/95	31/8/98
The Organisation of central government departments: a history 1964-1992	Professor I. McLean, Nuffield College	£120,000	Professor Iain McLean Official Fellow in Politics Nuffield College Oxford OX1 1NF	1/10/95	30/9/97
The Treasury and social policy	R.H. Parry, University of Edinburgh and Professor N. Deakin, University of Birmingham	£24,520	Mr Richard Parry Department of Social Policy The University of Edinburgh Adam Ferguson Building George Square, Edinburgh EH8 9LI Professor Nicholas Deakin 55 Estria Road Birmingham B12 2LG	1/7/95	30/6/96
Central Government Departments in the Policy Process	Professor M.J. Smith University of Sheffield and Professor D. Marsh, University of Birmingham	£163,500	Professor Martin Smith Department of Politics The University of Sheffield Elmfield Northumberland Road Sheffield S10 2TN	1/10/95	30/9/98

Title	Principal investigator institution	Amount	Start date	End date
Private agencies for public purposes an historical evaluation	Dr N. Whiteside University of Warwick	£31,000	1/1/96	31/12/96
THEME FOUR: Ministers and Managers Inside the engine room assessing Cabinet committees 1945-1966	Dr P. Catterall Institute of Contemporary British History	£137,970	1/4/95	31/3/97
Advising the Prime Minister 1868-1995	Professor G W. Jones London School of Economics	£10,000	1/4/96	31/3/98
No 10. 1970-1995	Professor D.A. Kavanagh University of Liverpool	£15,000	1/4/96	31/3/98
Senior ministers in British government	Lord Norton of Louth University of Hull	£15,000	1/4/96	30/12/97
A Changing Prime Ministership in a Changing World	Professor R. Rose University of Strathclyde	£15,000	1/4/96	31/3/98

Title	Principal investigator institution	Amount	Start date	End date
Prime Ministers, ministers and civil servants: complexity in the core executive	Professor M J Smith University of Sheffield	£15,000	Professor Martin Smith Department of Politics The University of Sheffield, Elmfield Northumberland Road Sheffield S10 2TN	1/10/95 30/9/97
The Permanent Secretaries	Professor K. Theakston University of Leeds	£66,910	Professor Kevin Theakston Department of Politics University of Leeds Leeds LS2 9JT	1/9/95 31/8/97
THEME FIVE: The Evolving Constitution The Audit of Accountability, agencies and their multiple constituencies	Professor B W Hogwood and Professor D. Judge, University of Strathclyde	£156,410	Professor Brian W Hogwood University of Strathclyde Dept of Government, McCance Building 16 Richmond Street Glasgow G1 1XQ Professor David Judge Department of Government University of Strathclyde McCance Building, 16 Richmond Street Glasgow G1 1XQ	1/4/95 31/3/99
Constitutional Implications of executive self-regulation in the United Kingdom	Professor A. Page University of Dundee and Professor T Dauntith Institute of Advanced Legal Studies University of London	£65,620	Professor Alan Page Department of Law University of Dundee Dundee DD1 4HN	1/7/95
THEME SIX Delivering Services Market testing management and policy making in central government	Professor S. Richards and Dr J. Newman University of Birmingham	£163,670	Professor Sue Richards School of Public Policy University of Birmingham Edgbaston Birmingham B15 2TT	1/4/95 31/3/97
Open Government Does Consultation Work?	Ms J H Steele, Public Management Foundation and Mr J Seargeant	£98,169	Jane Steele Public Management Foundation 165 Gray's Inn Road London WC1X 8UET	1/10/95 30/9/96
Whitehall and the reorganisation of regional offices in England	Professor J. Mawson University of Aston and Professor K.M Spencer, University of Birmingham	£26,650	Professor John Mawson Aston University Aston Triangle Birmingham B4 7ET Professor Ken Spencer School of Public Policy The University of Birmingham J G Smith Building Edgbaston, Birmingham B15 2TT	1/6/95 30/11/96

Date received 15 October 1999. Date accepted 4 February 2000.

REGULATION OF GOVERNMENT: HAS IT INCREASED, IS IT INCREASING, SHOULD IT BE DIMINISHED?

CHRISTOPHER HOOD, OLIVER JAMES AND COLIN SCOTT

This article examines arms-length 'regulation' of UK government – the public-sector analogy to regulation of business firms – and assesses the precepts for public-sector regulation embodied in the Blair Labour government's official vision of public-management reform, its *Modernising Government* White Paper of 1999. As a background to assessing the recipes for public-sector regulation in *Modernising Government*, the article shows that such regulation grew markedly both in the two decades up to 1997 and in the plans and activities of the Blair government from 1997 to 1999. Against that background, the design principles for public-sector regulation contained in *Modernising Government* are assessed. The White Paper was notable for embracing a doctrine of 'enforced self-regulation' for the public sector that involved aspirations to both more and less public-sector regulation in the future. It put its faith in a mixture of oversight and mutuality for 'regulating regulation'. But in spite of the radical-sounding tone of *Modernising Government*, the measures proposed appeared limited and half-hearted, and two well-known institutional design principles for regulation seemed to be missing altogether from the Blair government's view of administrative 'modernity'.

This article looks at regulation of UK government, focusing on the secondary overseers of public bodies beyond the courts and the legislature, the two classic primary regulators of government in constitutional theory. First, it examines the growth of such regulation from the mid-1970s to 1997 – an era of largely Conservative rule witnessing the rise both of the so-called 'New Public Management' and the claimed development of an 'Audit Society' (Power 1997). This first section briefly summarizes findings to 1997 from our earlier research on regulation of government (see Hood *et al.* 1999). In the rest of the article we apply the same framework to examining changes in regulation of UK government under the Blair New Labour government up to the publication of its *Modernising Government* White Paper of 1999 (Cabinet Office 1999). The aim is to characterize and assess the Blair government's plans, practice and philosophy for regulation of government and in particular to evaluate the precepts for regulation of the public sector embodied in *Modernising Government*.

Our argument is that the two decades to the mid-1990s were an era of

Christopher Hood is Professor in the Department of Government and Colin Scott is a Lecturer in the Department of Law at the London School of Economics; Oliver James is a Lecturer in the Department of Politics at Exeter University.

dramatic but largely unacknowledged growth in regulation of government while public service staff declined. This growth was not even and the style was not uniform across the public sector. But regulation of government seems to have become more formal, complex and specialized in many of its domains despite – or perhaps because of – the ostensible ‘New Public Management’ drive to ‘let managers manage’ in the public services. In some ways the Blair New Labour government continued the pattern by announcing plans to extend regulation of government by adding new regulators (notably for ‘OFSTED-izing’ the NHS) to the Conservative-created ones. But in contrast to the unacknowledged and unrationalized style of regulatory growth of the earlier era, a distinct philosophy of such regulation began to emerge, partly expressed in the 1999 *Modernising Government* White Paper. That philosophy embraced a first, albeit tentative, recognition of the compliance cost problem associated with public-sector regulation and a doctrine of ‘enforced self-regulation’ involving aspirations to combine the iron fist of Draconian central intervention with the velvet glove of self-regulation. In our assessment of the public-sector regulatory philosophy associated with *Modernising Government*, we argue that the strength of this approach is that it embodies a basic design that could limit regulatory compliance costs in those circumstances where wholesale abandonment of public-sector regulation is neither possible nor desirable. Its corresponding weaknesses include a half-hearted and limited development of the regulatory-design logic and untested assumptions about the politics of regulatory escalation.

As noted earlier, we are concerned here with the secondary regulation of government beyond the direct activity of the primary regulators (parliaments and law courts). Such secondary regulation (roughly though not exactly analogous with regulation of business firms) involves oversight of bureaucracies by other public agencies operating at arm’s-length from the direct line of command, the overseers being endowed with some sort of official authority over their charges (cf. Light 1993, pp. 16–7; Harden 1995, p. 302). This secondary regulation is a form of steering or control system that involves a combination of information-gathering, standard-setting and attempts at behaviour modification, but its particular institutional manifestation as regulation broadly comprises three elements (see Hood *et al.* 1999, pp. 8ff), all of which must be present:

- (i) one public bureaucracy in the role of an overseer aiming to shape the activities of another;
- (ii) an organizational separation between the ‘regulating’ bureaucracy and the ‘regulatee’, with the regulator outside the direct line of command (this feature distinguishes intra-organizational controls from arm’s-length oversight by another organization);
- (iii) some official ‘mandate’ for the regulator organization to scrutinize the behaviour of the ‘regulatee’ and seek to change it.

No one of these elements (discussed at more length in Hood *et al.* 1999)

is sufficient on its own to distinguish secondary regulation of government from other processes (like direct line-of-command control, advice or lobbying). It is only when the three elements come together that the arm's-length, authority-based features characteristic of regulation are produced, and that secondary regulation (by bureaucracies) is distinguished from primary control by legislatures and law courts.

On that three-part definition, numerous different families of secondary regulators of government can be distinguished. For instance, some are agents of legislatures (like parliamentary auditors), some are international overseers established by treaty, some are quasi-independent from both legislature and executive government (like probity overseers), some are executive-government organizations created to oversee 'doer' organizations at arm's-length, and some are regulators of both public and private sector organizations (like data protection and safety-at-work agencies). Methods vary too, including audit, inspection, adjudication, authorization and certification. Like regulation of business, regulation of government involves a range of diverse organizations employing different instruments but sharing the three characteristics outlined above.

1 HAS IT INCREASED? REGULATION OF GOVERNMENT TO 1997

The scale of secondary regulation of UK government on the multi-criterion definition given above cannot be estimated with precision. Dependent on precisely what organizations we count as located within the public sector, our estimate of the number of national-level 'regulator' organizations overseeing public-sector bodies in the mid-1990s ran from about 135 to over 200. Our estimate of the staff size of such regulator organizations ran from almost 14,000 to almost 20,000 and our estimate of the direct annual running costs from about £750m at the low end to about £1bn at the top end (see Hood *et al.* 1998 and 1999, pp. 21–8).

To the direct staff and operational costs of regulator organizations must be added the compliance costs of such regulation – what it costs regulatees to meet the requirements of those who regulate them. Compliance cost data are not routinely collected across government as a whole, and we could only estimate them on the basis of limited data (*ibid.*). Defining compliance costs in the narrowest possible way (excluding other costs and looking only at what it costs regulatees to interact with their regulator, including provision of information requested, consulting the regulator, setting up and acting as guides on visits and inspections), we concluded that the compliance costs of regulation in UK government at the very minimum matched the £750m to £1bn of direct spending on regulatory bureaucracies in the mid-1990s.

Moreover, there is evidence of considerable growth in regulation of government as defined above over the two decades to the mid-1990s. Over a time when UK government substantially downsized in public service staff numbers, secondary regulation of government seems to have 'upsized'

markedly, in numbers of organizations, direct spending and staffing. When we examined numbers of regulators in 1976 and 1995 in different parts of the public sector, we concluded that the number of 'regulator' organizations overseeing government had risen by over a fifth during those two decades. Spending appeared to have grown more than the body count of organizations. Over two decades to the mid-1990s overall spending (in constant prices) on regulation of government seemed to have more than doubled, with particularly vigorous growth in ombudspeople and funder-regulators (see Hood *et al.* 1998; Hood *et al.* 1999, pp. 28–33).

For employment, we estimated that the total staffing of regulators of UK government grew by about 90 per cent between 1976 and 1995, and that too is a conservative figure. This dramatic staff growth contrasts sharply with what happened to staffing in the public sector as a whole, with a fall of more than 30 per cent in total civil servants and over 20 per cent in local authority staff (Cabinet Office 1995, p. 47; DOE 1996, p. 57).

In general, therefore, the answer to the first part of the question in the title of this article would seem to be a resounding 'yes'. Secondary regulation of government outside the law courts and legislature grew substantially over the twenty years to the mid-1990s. This finding links to Hoggett's (1996) observation that the public management revolution produced increasing formality of controls and Power's (1997) claim that there was an explosion of formal audit associated with declining trust in professional self-regulation. Whether or not Majone (1994) and others are correct in identifying growth of a 'regulatory state' in society at large, there certainly seems to have been increasing regulation of the state. But there was no official policy of increasing regulation of UK government over the twenty years to 1997, no official recognition of the overall pattern and no official discussion of how regulatory growth fitted with the received managerial rhetoric of 'letting managers manage' in public services. Regulation of government grew in an *ad hoc* and unrationalized way and there was no equivalent to the official concern with compliance costs imposed by government regulation of business.

2 IS IT INCREASING?

The brief summary of our earlier work indicates that the Blair government inherited a legacy of growth in numbers and cost of arm's-length regulators of the public sector, but no coherent doctrine about the design of such regulation. Examination of the Blair government's plans and activities from its election in 1997 to the publication of *Modernising Government* in 1999 indicates at least three main features. The first is continuation and even acceleration of the previous pattern of long-term growth in arm's-length regulation of government. The second is a continuing difference in the style of regulation applied to core Whitehall departments from that applied to local government and other parts of the public sector. The third is aspiration to

move public-sector regulation in the direction of 'enforced self-regulation'. Each of these features is briefly discussed below.

(a) Continuing population growth

During its first two years, the Blair Labour administration announced plans for a substantial further net extension of secondary regulation of UK government as defined earlier. Though it rejected arguments for a Human Rights Commission to police compliance with the 1998 Human Rights Act (incorporating the European Convention of Human Rights into UK law), its plans and activities presaged an acceleration of growth in numbers of regulators, resources devoted to regulation and the scope of regulation. Table 1 identifies a dozen or so major new organizations for regulating government (according to the definition given above) that were created or announced under the Blair Labour administration up to the time of its 1999 *Modernising Government* White Paper. It is divided into six categories.

The first notes 'inertia growth' in the form of regulator bodies initiated by the Conservatives but set up under Labour. The two main examples of such inertia growth are a new Training Standards Council to oversee training providers and a Benefit Fraud Inspectorate (BFI) within the DSS, together involving direct costs of about £11.4m per year. (The latter was primarily designed to be a regulator of government rather than of benefit claimants alone and to investigate central government agencies, local authorities and local authorities' private contractors (Benefit Fraud Inspectorate 1998, appendix 3).) The second category involves arm's-length regulators set up by the Conservatives and scrapped by Labour. The main death in the family of arm's-length public-sector regulators under the Blair Labour government was the Funding Agency for Schools, the overseer of public-sector schools that had 'opted-out' of local authority control.

The third category notes regulator bodies initiated by Labour and set up by Spring 1999. As can be seen, the head count in this category is modest, involving only a new Youth Justice Board and various central government units that are somewhere on the boundary of policy advice and arm's-length regulation (notably the Performance and Innovation Unit in the Cabinet Office). Much more significant for growth of public-sector regulation are the bodies included in the fourth category of table 1, that is, organizations initiated by Labour but not set up before *Modernising Government* was published. New Labour's 'Best Value' regime for local government included two extra inspectorates (DETR 1998, ch. 7, §7.45) and its plans for regulating the NHS also involved two substantial new regulators. One was a Commission for Health Improvement (to oversee clinical quality and governance and take action against poor performers). The other was a National Institute for Clinical Excellence (a quasi-regulator to promote clinical audit and cost-effectiveness, partly taking over functions previously carried out by other bodies (DOH 1998, ch. 7, §7.11–4). In addition, in the wake of the third Nolan Committee Report on Standards of Conduct in

TABLE 1 *Regulation of UK Government from 1997 to Modernising Government – Some Key Developments*

Type of change	Regulatory organization or project	Approx. annual change in direct costs
1 Bodies initiated by the previous government and set up since 1997	Benefit Fraud Inspectorate to oversee central and local government (1997) Training Standards Council (1998)	+ £3.4m + £8m.
2 Bodies set up by the previous government and dismantled by Labour	Funding Agency for Schools (funder-regulator for oversight of schools 'opted out' of local authority oversight), abolished 1998	–£10m
3 Bodies initiated by Labour and set up before <i>Modernising Government</i>	Youth Justice Board (1998) Various quasi-regulatory 'co-ordinating' units in the Cabinet Office, including the Performance and Innovation Unit (1998) and a new audit section to review all the main Citizen's Charters over 1998–2000	+ £2m. Less than + £1m.
4 Bodies initiated by Labour but not set up before the publication of <i>Modernising Government</i> in March 1999	National Institute of Clinical Excellence (1999) Commission for Health Improvement for England and Wales (1999) Best Value Inspectorate within the Audit Commission, including the Housing Inspectorate (1999) General Teaching Councils for England, Wales and Northern Ireland (largely professional self-regulation) (not yet established) Standards Board for England and similar arrangements for Wales and Scotland (not yet established) Commission for Care Standards (not yet established)	+ £10.3m + £5 to + £15m. (est) at least + £20m. (est) n/a n/a n/a
5 Mergers, makeovers and major reorganizations in public-sector regulators between 1997 and <i>Modernising Government</i>	Quality Assurance Agency for Higher Education (merger of the Higher Education Quality Council and the assessment functions of the Higher Education Funding Council) (1997) General Social Care Council (replaced Central Council for Education and Training in Social Work) (1999) Citizen's Charter re-launched as Service First (1998) Deregulation Unit re-launched as Better Regulation Unit (1997) and then Regulatory Impact Unit (1999)	
6 Other regulatory initiatives from 1997 to <i>Modernising Government</i>	Re-announcement of Public Sector Benchmarking Project originated by previous government (Cm 4310 1999, p. 39) Strengthening of five-yearly reviews of executive agencies and NDPBs Best Value framework for local authorities from 1998 Public Service Agreements linked to Comprehensive Spending Review (ibid, p. 40) Public sector organizations to adopt quality management schemes (ibid, p. 42) PCA's jurisdiction extended to 158 more bodies (ibid, p. 27)	

Local Government, the Blair government announced new regulators of local-authority probity, in the form of Standards Boards to investigate complaints about breaches of Codes of Conduct by local councillors (DETR 1998, ch. 6 §6.3–4). It announced a Commission for Care Standards to oversee care institutions and an extension of educational regulation in the form of General Teaching Councils for England, Wales and Northern Ireland to compile registers of teachers and strike off teachers for misconduct. (These Councils involved a system of state-organized professional self-regulation, matching the long-established Scottish system, and in that sense different from the other regulatory initiatives noted in table 1).

The fifth row of table 1 notes mergers, major reorganizations and make-overs of public-sector regulators between 1997 and 1999, notably the creation of a single Quality Assurance Agency for higher education and make-overs of the Citizen's Charter and former Deregulation Unit. The sixth row identifies some of the principal regulatory initiatives that were not associated with new regulator institutions, such as the extension of the PCA's jurisdiction to 158 more public bodies (Cabinet Office 1999, p. 27).

What this analysis shows is that the main element of public-sector regulator growth in New Labour's first two years was 'inertia growth' inherited from the previous Conservative government, largely offset by the death of the Funding Agency for Schools. However, the real growth lay in the fourth row of table 1 – commitments to more public-sector regulation that had not yet come on stream at the time of *Modernising Government*. So some estimate of the likely minimum size of those commitments needs to be added to the known net costs of rows 1–3 of table 1 to gain a picture of the overall rate of increase in public-sector regulators sparked off by the Blair government in its first two years.

No such estimate can be very precise, because detailed plans and budgets were not available at the time of writing. Moreover, as often applies to new bureaucratic creations, in several cases some reshuffling of resources would take place between previous and newly-created units (for example over clinical audit (DoH 1998a)) and between local and central government (such as for inspection of care standards (DoH 1998c)).

Nevertheless, a broad estimate of the likely dimensions can be made. Given that the Commission for Health Improvement was intended to visit all of the over 400 NHS trusts and give concentrated attention to problem cases (DoH 1998b, p. 3), the organization required would need to be at least four times the size of the Prisons Inspectorate. Indeed, a conservative estimate of the total cost of the CHI is £5 to £15m per year (Walshe 1999, p. 195). And to carry out the 1,000 annual inspections projected for the 'Best Value' regime (Audit Commission 1999a, p. 22), the Best Value inspection system could scarcely cost much less than £20m. per year if the costs are similar to those involved in OFSTED's school inspections (and could well be substantially higher, since Best Value inspections were intended to be

closer to bespoke tailoring than the ready-to-wear approach characteristic of OFSTED's school inspection system).

Putting those elements together, the net overall direct costs of the major Blair government additions to regulation of government announced in its first two years could scarcely be much less than £40m per year, and could be closer to £50m. Whatever assessment is made of the scale of such costs relative to the Blair Labour government's ambitions for improving public service quality, it seems safe to conclude that growth in regulation of government was not slackening over the first two years of New Labour rule in terms of resources. If anything, it seems to have quickened in numbers of organizations being created.

(b) Central government departments and other parts of the public sector

Our earlier research suggested that the system of UK public-sector regulation inherited by the Blair New Labour government in general involved more formalistic and heavy-duty regulation over local government and the outer reaches of the public sector than of core central government departments (Hood *et al.* 1999, ch. 3). Within central government itself, the process of carving executive agencies out of departments meant that agencies were subject to arm's-length regulation from parent departments. But core departments themselves were for most purposes exposed to a lighter regulatory yoke and regulation for those organizations grew at a slower pace than for other parts of the public sector. This pattern appeared consistent with Black's (1976) idea of 'relational distance' as shaping formality of enforcement processes.

Changes under the Blair government up to *Modernising Government* seem to have broadly maintained this pattern. In general, local public bodies and the mixed public/private sector seem to have borne the brunt of planned regulatory increases rather than core central government departments – continuing and extending the pattern of the previous twenty years. Only three of the dozen or so new regulator bodies shown in table 1 were targeted at Whitehall departments, with the other new regulatory artillery aimed at other parts of the public sector.

Regulation of central government departments was extended and re-badged in ways other than by creation of new overseer organizations, as shown in rows 5 and 6 of table 1. Notable examples were the re-launch and extension of the Citizen's Charter as 'Service First' (Cabinet Office 1998b, §2.8 and §4.22) and a makeover of the Conservative government's Deregulation Unit. The Unit was re-badged as the Better Regulation Unit (later the Regulatory Impact Unit) and refocused through the appointment of a high-profile Better Regulation Task Force, to put more pressure on government departments and other public bodies to review and improve regulatory regimes. (This approach was also stressed by the OECD in its recipe for regulatory reform (OECD 1997, vol. II, ch. 2).)

However, much of the extension of arm's-length regulation of core central government departments tended to be more soft-focus in character than that applying to other parts of the public sector. While *Modernising Government* promised a rather vaguely defined process of 'peer review' among core Whitehall departments (Cabinet Office 1999, p. 6), peer review did not figure large in the recipe for the rest of the public sector. Indeed several developments in regulation of core government departments lay on the boundary line between 'regulation' as defined above and promotional or advisory activity. Some of the new promotional and co-ordinating bodies introduced by the Blair government into the Cabinet Office (the Women's Unit, the Social Exclusion Unit and the Performance and Innovation Unit) were of that type.

By contrast, three times as many new regulator organizations were created to oversee other parts of the public sector and most of the extensions of regulation for those other parts of the public sector were anything but soft-focus in approach. For instance, New Labour both embraced and extended the heavy-duty OFSTED school inspection regime in England created by the Conservatives, and its 'Best Value' policy for local authorities substantially broadened the scope of local authority regulation by central bodies. (The latter involved new cost and quality standards for service delivery and extension of inspection to services including libraries, planning and transport (DETR 1998, ch. 7, §7.39).)

(c) A new philosophy of public-sector regulation?

The analysis above suggests the answer to the second part of the question in the title of this article should also be 'yes'. Regulation of government apparently continued to grow in the early years of New Labour. But there were some indications of a change in style, at least in official doctrine. *Modernising Government* and the institutional design ideas on which it built marked a departure from previous practice over public-sector regulation in at least three ways.

One was the first tentative acknowledgement that excessive regulation and regulatory compliance costs could be a problem for the public sector as well as business firms. *Modernising Government* announced the extension of the deregulation provisions (Part 1) of the Deregulation and Contracting Act 1994 to the public sector (Cabinet Office 1999, p. 38). This proposal was less dramatic than might at first appear, since few of the burdensome regulatory requirements placed on public sector actors derive from legislation (and, as will be shown in the next section, the deregulatory commitment appeared likely to have very limited overall impact). But it was at least a notable shift in rhetorical tone from a previous pattern of blithe disregard for the costs and burdens of public-sector regulation coupled with official concern about compliance costs and egregious burdens of regulation for business.

A second was more official concern with consistency of practice and link-

ages among different regulators. *Modernising Government* (ibid, p. 23) expressed concern about the effect of audit and inspection processes in 'hindering cross-cutting work' and proposed more co-ordination of inspection functions, with the development of a common set of inspection principles (ibid, p. 43). This theme was linked to an emphasis on co-ordination that ran through the White Paper, and was reflected in developments like the creation of a Public Audit forum and proposals for a new Best Value inspectorate forum (ibid, p. 37). It suggests some reaction against the *ad hoc* pattern of public sector regulatory growth over the previous twenty years, with no common practice and even deliberate proliferation of regulators pursuing different and conflicting agendas (as in the early days of the Audit Commission). How far the measures proposed were likely to achieve the co-ordination desired, however, will be discussed in the next section.

A third was official embrace of 'enforced self-regulation' for large parts of public sector regulation. As noted earlier, Labour inherited a trend towards greater formality in regulation of many public bodies (especially of local government and the outer reaches of the public sector as seen from Whitehall), in the sense of less involvement of regulatees in regulatory decision making and more formal sanctioning rather than persuasion (see Hood *et al.* 1999, pp. 194–7). By contrast, *Modernising Government* (Cabinet Office 1999, pp. 30–1) stated a doctrine of intervening 'in inverse proportion to success' and striking 'an appropriate balance between intervening where services are failing and giving successful organizations the freedom to manage' (skating delicately over the fundamental tension that may be implied in those two goals). The same aspiration to 'enforced self-regulation' (developing a trend towards more formal and external regulation for public-sector regulatees seen as poor performers whereas good performers are rewarded with lighter oversight regimes) appeared in plans and designs announced by the Blair government in several domains of public-sector regulation.

Enforced self-regulation consists of external enforcement of rules written by regulated bodies and internal enforcement of externally set rules. Different types of regulation are arranged in the form of a pyramid, with self-regulation at the bottom, more interventionist styles of regulation in the middle and the most interventionist types at the apex. Ayres and Braithwaite (1992, p. 116) elaborate this approach, arguing that in many conditions it is an improvement on both pure 'self-regulation' and externally set and enforced regulations. Perhaps it is not surprising that such a 'third way' model should appeal to New Labour policy makers.

As suggested in the previous sub-section, the approach to regulation of the inner core of Whitehall looked more like simple self-regulation for many purposes, with a velvet fist inside a velvet glove. But the enforced self-regulation idea does seem to capture the design principles being applied to several public-sector regulatory systems. Six applications of this approach seemed to be visible in changes made or proposed to regulation of clinical

quality in health care, ethical standards, financial management and service efficiency in local government and the certification of service quality under the Citizen's Charter programme. Those changes are summarized in table 2.

Table 2 summarizes the pre-Blair government arrangements for regu-

TABLE 2 *Enforced self-regulation developments in six domains of regulation of UK government*

Regulatory domain	Pre-Blair government arrangements	Changes announced by Blair government
1 Regulation of clinical standards in the National Health Service in England and Wales	Encouragement of clinical audit in 1990 NHS White Paper but with no central oversight unit (outside NHS line management) regulating the process	Commission for Health Improvement to conduct spot checks and recommend sanctions if local control of clinical quality is judged inadequate (DoH 1998, p. 59 and ch. 7, §7.13)
2 Regulation of school education in England	Development of more extensive and formal school inspection regime since 1992, with powers to recommend closure of schools found to be 'failing' by OFSTED inspectors	(a) more graduated sanctions available for failing schools (DfEE 1997); (b) plans for less stringent inspection of best-performing schools; (c) LEA Development Plans to be drawn up in line with a central Code of Practice
3 Local authority standards of conduct regulation for England, Wales and Scotland	No central regulator; mixture of voluntary self-regulation and audit regimes	Local codes of conduct and registers of interest, in line with central guidelines, policed by central regulators investigating complaints and applying sanctions including disqualification/suspension of local councillors
4 Local authority financial regulation in England	Central oversight of local authority finance, including powers of central government as regulator to cap local taxes and spending and approve capital investment	(a) 'Beacon councils' (for some/all services) subject to less oversight, e.g. over capital spending (Cm 4319 1999, p. 37) (b) Differentiated sanctions for 'poor performers' (DETR 1998, ch. 5)
5 Local authority efficiency and performance regulation in UK	Oversight of Compulsory Competitive Tendering Regime from the 1980s plus value-for-money audits (on top of traditional fiscal audits) and inspection of particular services	'Best value' system: (a) local performance reviews, plans and standards; (b) central standards for some services (DETR 1998, ch. 7); (c) central monitoring by auditors and Best Value inspectors (ibid, §7.37-42); (d) follow-up action to be required for plans deemed inadequate or failure to achieve target standards
6 Certification of public service quality through Charter Mark system	Competition only for externally assessed charters	Addition of self-assessment option to external Charter Mark system (Cabinet Office 1998b)

lation of six public-sector domains and indicates the changes announced up to *Modernising Government*. In several of the cases (notably 3 and 5) the changes involved more involvement by regulatees in writing their own rules (those conditions applied before 1997 to case 1) and likewise a graduated scheme of enforcement was introduced for three of them (2, 4, 5). Case 6 is included only because self-assessment was introduced in addition to external oversight through certification. For cases 1 and 5 in particular, the stated intention, consistent with Ayres and Braithwaite's (ibid, pp. 40–1) ideas about enforced self-regulation, was for the majority of regulatees (local authorities or health trusts) to be correcting their own shortcomings at the bottom of the enforcement pyramid. Only occasional intervention by central regulators seems to have been contemplated. But where local actions were found to be inadequate by those regulators, a quiver of arrows to shoot at poor performers was provided. (For example, under the Best Value scheme, the secretary of state could require local authorities to draw up action plans for improvement or oblige them to stop providing a specified service directly (DETR 1998, ch. 7, §7.47).)

Hence while regulation of government seemed set for continued growth in resources and organizations as a result of decisions made by the Blair Labour regime in its first two years, it could be argued that the government's aspirations to more responsive regulation involved both an increase and a decrease in regulation in a qualitative sense. The enforced self-regulation doctrine has been hailed by Vincent-Jones (1998; see also Daintith and Page 1999, p. 385), following Ayres and Braithwaite, as likely to lead to better regulation in the public sector by creating a more reflexive and less conflict-ridden regime. And it has the rhetorical advantage that government appeared to be doing a great deal about public service failure without having too many local authorities in the chamber of execution.

But – as with so many successful rhetorical strategies – whether this design for both more and less regulation could be reflected in actual outcomes is problematic and remains to be seen. How conflictual the model turns out to be depends on how many public-sector regulatees are picked up as unsatisfactory by overseers and pushed up to the higher levels of the enforcement pyramid. And here there is a fundamental dilemma in regulatory strategy. To keep conflict to a manageable level, the logic of enforcement pyramids suggests killing only an occasional public-service admiral to encourage the others. That applies to school closures under the OFSTED regime since 1992, in spite of recurrent tough-talking rhetoric from successive governments about 'zero tolerance' of failure (cf. Hood *et al.* 1999, pp. 1544–5). But if failure and chronic under-performance in public services provision is really as widespread as some of the 'standards' rhetoric suggests (cf. Blair 1998, pp. 11 and 20), the logic would imply the execution of whole admiralities, overloading the capacity of the centre. The compliance climate could alter if central-local relations worsen, and high-level intervention against too many authorities could turn what is intended to be an

'enforcement pyramid', with most regulatees at the base, into a costly, litigious enforcement 'cube'.

3 SHOULD IT BE DIMINISHED?

If secondary regulation of UK government seems to have grown markedly over the two decades to 1997 and to have continued in the early years of New Labour, is there a case for reducing it? Those who complain about the burden of an 'audit explosion' certainly think so. They see the advance in regulation of government, with its growing direct and compliance costs, as over-ripe for a robust application of the sort of cost-benefit scrutiny used for the appraisal of business regulation over the past fifteen years. For those who accept Power's (1997) thesis about an 'audit explosion', more regulation of government might be expected to consume extra public resources in unnecessary 'rituals of verification' (ibid) without removing deep-seated policy and administrative failings and possibly weakening collegial systems of self-regulation inside the public sector.

Our interview programme (involving some 80 public-sector regulators and regulatees) predictably indicated that regulatees outside central government departments were more inclined to endorse some form of Power's 'audit explosion' thesis than regulators and central departmental officials. But the implication that formal regulation of government needed to be radically reduced was contested by several senior civil servants, who argued that such regulation had developed precisely because older, less formal systems of control had weakened in many parts of the public sector. They pointed to trends such as a relative move away from traditional career-service and jobs-for-life employment patterns in the public sector (with more lateral entry into senior positions) undermining the traditional internal conditions and incentives that supported mutuality-based controls in the public sector. A Permanent Secretary drew an explicit parallel with the more formal regulation applied to financial services as participation widened beyond a traditional élite whose unwritten rules were foreign to a new breed of entrants. Some of the regulators related the growth of regulation to a broader change in the social habitat of public services, with more litigious and less compliant consumers (cf. Wood 1999) and less deference to public-service professionals. Even if there had been no internal degeneration of mutuality-based collegial systems of control, such external changes could be expected to prompt more challenges to cosy collegiality. Given that it is unfeasible (and for many, undesirable) to turn the clock back on such developments, it might be argued that it would be dangerous to return formal regulation of government to the level of the 1950s and 1960s. Indeed, for bodies like the World Bank (1999, p. 7, §3.12), explicit and properly enforced formal regulation of government is a key element in achieving transparency and accountability.

Modernising Government, and the various Blair government initiatives it described and embraced, implied that regulation of government should

both be diminished and expanded. The 'enforced self-regulation' doctrine, as discussed earlier, involves the deployment of heavier regulatory tackle against the incompetent or recalcitrant, while lightening the regulatory yoke over good performers. Some of the cultural and political conditions that appear to be needed for the success of such a policy have already been discussed. Along with the enforced self-regulation doctrine, *Modernising Government* implied that the quality of public-sector regulation was more important than its quantity, and proposed a mixture of mutuality among regulators and regulation of the regulators to improve the quality. That represented a more coherent approach to designing regulation of government than anything that had been produced in the previous two decades. But it can be argued that the measures proposed for improving the quality of public-sector regulation were limited and half-hearted, and that *Modernising Government* did not even mention two potentially powerful ways of keeping public-sector regulatory growth in check without abandoning arm's-length oversight of public bureaucracies. The following four subsections briefly develop this argument.

(a) Applying mutuality to regulation of government

In line with its general emphasis on co-ordination and cross-departmental working, *Modernising Government* expressed enthusiasm for more mutuality among the various regulators of government as a means of improving the quality of what they did. As well as general measures to encourage the spread of best-practice ideas around the public service, it endorsed the development of fora for exchange of ideas and experience among public-sector regulators. Though it did not mention the principal and longest-established regulator forum (the British and Irish Ombudsmen Association), it hailed the development of the Audit Forum (set up in 1998 to comprise the NAO, NIAO, Audit Commission and Accounts Commission for Scotland) and re-announced proposals to establish an Inspectorate Forum to discuss common inspection interests relating to the 'Best Value' regime for local government (DETR 1998, ch. 7, §7.44; Cabinet Office 1999, pp. 31 and 37).

The Blair administration's much-discussed aspirations for co-ordination or 'joined up government' (which figured large in *Modernising Government*) would certainly seem to imply more mutual interaction among the players in the more complex regulatory systems that have emerged over the past twenty years, with their overlapping jurisdictions and rising burdens on regulatees. And, like their counterparts in business regulation, regulators of UK government have tended to be institutionally fragmented in the past, according to the findings of our previous work (Hood *et al.* 1999, ch. 2). But *Modernising Government's* endorsement of summit meetings within regulatory families was hardly radical or new. What it did not create were cross-domain fora to join up the different families of regulators. Even for the proposed Best Value Inspectorate Forum, it is not clear how mutual interac-

tion would take place between inspectors, audits and the various other regulators of local government. (Yet the Blair government's 'Best Value', 'Beacon Council' and ethical standards regimes made consistency and complementarity among different regulator families increasingly important, since those schemes depended on an assessment process based on reports from multiple overseers.) Thus, while there is some evidence of attention to the creation of new fora for mutuality, these developments were limited and failures of co-ordination among regulators could have more damaging consequences under the new regimes than in the past.

Moreover, *Modernising Government* made no specific proposals for improving mutuality among regulators of government by cross-posting among the different organizations involved. Effective transfer of innovation and ideas across organizations often comes more from mobile individuals over the course of a career (cf. Breyer 1993) rather than from 'summit meetings'. Such mobility seems to have been very limited in the past, with only a few secondments and exchanges, for example between NAO and the European Court of Auditors and NAO and the Audit Commission (Hood *et al.* 1999). But no specific arrangements were proposed in *Modernising Government* for making it easier for career paths to cut across the 130-plus national-level organizations regulating UK government, to augment the very limited career moves across those organizations in the past.

Nor did *Modernising Government* appear to contemplate more structural solutions for narrowing communication gaps among regulators doing related work. One possible model from business regulation is the 'umbrella' or 'double-decker' agency, like the HSE and the Environment Agency. Such regulators combine specialized expertise in sub-units at the operating level (like the Railways Inspectorate or the Nuclear Installations Inspectorate), but add to that another layer of more general policy analysis, strategic direction, political 'clout' and capacity for application of high-level sanctions. Apart from combining the advantages of being 'close' to and 'distant' from regulatees within a single organization, such structures create incentives for development of common policy frameworks and routines across different specialisms (see Hutter 1997, pp. 21–7). The idea of applying a similar organizational logic to regulation of government was not discussed in *Modernising Government* or any of the other official documents relating to regulation of government under the Blair Labour administration. Indeed, the issue of how the aim of co-ordinated inspection was to be achieved under the 'Best Value' regime for local government was left studiously vague (see DETR 1998, ch. 7, §7.41). At the time of writing there is little sign of an HSE-type model developing, with the Audit Commission as a central co-ordinating body overseeing sectoral specialists. Rather, the Audit Commission (1999b, p. 16, §16) apparently saw its role in 'Best Value' as that of inspecting those local authority services not under another inspectorate, leaving existing inspectorates like OFSTED, with their links to their associated policy departments at the centre, to operate in parallel. Hence, although

'Best Value' increased the costs of conflict and tension among regulators, it did not change the basic institutional characteristics of a ramified multi-organizational system with overlapping responsibilities. The same goes for the relationship between the Standards Board, the Commission for Local Administration in England and local auditors, all of which had a role investigating impropriety (DETR 1998, ch. 6, §6.33). Our investigation of the pre-Blair system of public-sector regulation indicated that the relationship among regulators of government was neither fully collegial nor fully competitive (Hood *et al.* 1999, ch. 10), and there were no structural changes proposed in *Modernising Government* to change that pattern.

(b) Applying oversight and review to regulation of government

A second recipe for improving the quality of public-sector regulation contained in *Modernising Government* was the development of common codes of conduct and a vague suggestion of concern with cost-effectiveness. *Modernising Government* proposed the development of a set of common principles of public inspection (Cabinet Office 1999, p. 37). And, as noted earlier, it went further than any previous government initiative in recognizing the risks of excessive regulation over the public sector by announcing the extension of the deregulation provisions (Part I) of the Deregulation and Contracting Out Act 1994 to the public sector.

These departures are interesting because hitherto there had been no general code of conduct for regulation of government and no unit in government responsible for reviewing the field as a whole. External reviews were rare and never comprehensive. And no-one had ever compared how much was invested in regulation of government against what was invested in regulating business and asked if the balance made sense. But no coherent principles were offered in *Modernising Government* as to when 'enforced self-regulation', as described earlier, was appropriate or what its scope and limits should be in government. Ayres and Braithwaite (1992, p. 121) argue that such an approach is inappropriate for small organizations and that it may make it harder to disseminate 'best practice' effectively. But no such qualifications were considered in *Modernising Government*, nor is there any account of why 'enforced self-regulation' appeared to be viewed as more applicable to local government and the outer reaches of the public sector as seen from Whitehall than to the core of central government.

Moreover, the commitment to review public-sector regulation in *Modernising Government* appeared both limited and ambiguous. No arrangements were set out for overall co-ordination and evaluation of regulatory burdens placed on public organizations. No system for logging compliance costs and conducting regulatory impact analysis was proposed, contrasting sharply with the approach adopted for most business regulation in the EU and Whitehall (which received additional emphasis in *Modernising Government*). The inevitable result is a continuing 'evidence vacuum' about the marginal effects (positive or negative) of increasing or reducing investment in regu-

lation of government. Indeed, some additional regulatory requirements on the public sector (such as extended obligations to adopt quality management schemes and closer regulation of IT systems across government) were proposed or endorsed in *Modernising Government* itself, without any regulatory impact assessment. While, in promoting an extension of 'charterism' across the public service, the Citizen's Charter Unit seemed to be ignoring the sermons preached by the Regulatory Impact Unit about the need to carry out impact analysis before imposing new regulatory burdens.

Thus, although *Modernising Government* declared (Cabinet Office 1999, p. 31): 'We do not want [managers] to feel swamped by ... bureaucratic requests for irrelevant data,' it did not propose any system for bringing information about the compliance costs of public-sector regulation to a single point (as had been done for business regulation since 1985). Yet compliance burdens in the sense of extra costs imposed on public-sector regulatees in interacting with regulators in processes of scrutiny are both measurable and substantial (Hood *et al.* 1999, pp. 26–9; Hogwood, Judge and McVicar 1998). Thus the case for an institutionalized challenge to the 'Nelson's eye' approach adopted towards compliance costs by most public-sector regulators seems just as strong as it is for regulation of business – a case not even considered in *Modernising Government*.

(c) Applying competition to regulation of government

If *Modernising Government's* proposals for improving the quality of public-sector regulation through mutuality or oversight measures appeared more limited than the radical rhetorical tone of the document would suggest, there are also some notable gaps in its recipe for regulatory improvement. In particular, there was a notable disjunction between the emphasis laid on competition as one of five principles for continuous improvement of public services (Cabinet Office 1999, p. 33) and the apparent dismissal of competition in any form for regulators themselves (in spite of the adoption of competition among regulators in other contexts (see McCahery *et al.* 1996)). Evidently the White Paper's vision of governmental 'modernity' excluded public-sector regulatory competition in the form of an element of choice by regulators over who regulates them. (Such choice applied before 1982 to local authority audit and to the 1992 'opt out' regulatory regime for state-funded schools that was scrapped by the Blair government.)

That vision of modernity also appeared to exclude even much more modest elements of competition that often figure in mainstream administrative designs. For example there was no discussion of exposing public-sector regulators to more league-table comparisons. EU practice (by the DG for Financial Control) of regulators including themselves in the league tables of organizational performance that they publish for their charges shows that it is possible to expose public-sector regulators to performance-indicator comparisons. But that approach did not appear to be on the *Modernising Government* agenda, in spite of the Blair government's enthusiasm for

publishing league-table comparisons for other parts of the public sector. Development of performance indicators for public-sector regulators is admittedly complicated by multiple, possibly conflicting objectives, the diverse range of organizations involved and the difficulty of identifying the 'value added' by regulators to their clients' behaviour. But such problems also apply to many other public-service bodies (like those involved in education, health and social work), and that has not stopped regulators from applying comparative performance data to those bodies.

In addition, *Modernising Government* did not appear to contemplate exposing any public-sector regulators to sunset-testing, which is a mild form of competition in the sense that it makes regulation compete with other policy priorities and resource claims. And it is not clear whether the principle the White Paper endorsed, of identifying 'best suppliers' of public services (a modified form of market-testing), was to be applied to regulators of those services. Competition to provide public-sector regulation may be easiest to apply to large-scale activities involving similar operations across many units, such as schools inspection in England, and that may explain why OFSTED was a pioneer in 'market-testing' regulation of government. It may be harder to apply the OFSTED approach to small specialized or tightly coupled activities, but it is not clear why it could not be more widely applied to social services inspection, complaint handling or public audit work. *Modernising Government* was conspicuously silent on the issue.

(d) Applying randomness to regulation of government

Finally, a way of keeping both the compliance and administrative costs of regulation down that did not even rate a mention in *Modernising Government* is the use of randomness in checking procedures. Random checking systems involve several well-known advantages (cf. Hood 1998, ch. 7). One is the greater chance of breaking through information asymmetries through unannounced inspections or audits. A second is the avoidance of pre-inspection stress or 'dentist's waiting-room effects' when inspections are announced long in advance. A third is the reduced cost of limited sampling checks rather than following a search-every-suitcase strategy. A fourth is the reduced compliance costs for regulatees when inspectors visit them unannounced to view them in normal operation and thereby avoid the heavy costs (of document preparation, rehearsals, refurbishment of premises, etc.) often associated with long-heralded inspections. Our earlier study of regulation of government (Hood *et al.* 1999, ch. 10) showed that a few regulators of UK government (like the Social Services Inspectorate and the Prisons Inspectorate) applied elements of randomness in selecting units for inspection. And some of the developments mooted under the Blair government (like spot checks envisaged to be made by the Commission for Health Improvement) may extend the practice.

Along with the advantages noted above, random inspection also has its disadvantages as an administrative device. It can preclude the anticipation

effects of long-expected visits, in which the mere announcement of an inspection can produce more efforts at improvement than the inspection itself (dependent on the cultural conditions). But what was missing from *Modernising Government* or any of the other Blair government official documents was any attempt to work out a coherent doctrine of when spot checks and random inspection of public-sector organizations are appropriate, as against visits announced in advance. In the past, the principle of random selection of units for scrutiny by public-sector regulators (where it was applied at all) had largely been applied to lower-status organizations or routines, like prisons, social care institutions or routine financial operations (ibid, pp. 223 ff). That pattern looked set to continue under the Blair Labour government. In line with traditional practice, *Modernising Government* put the stress on mutuality (peer reviews, committees of Permanent Secretaries and the like) rather than oversight for regulating the centre of Whitehall and on predictable review schedules linked to strategic overall targets. It did not even consider the case for random checking systems at the top and centre of government, where power is concentrated and the players know each other well (possibly too well). Nor was there any consideration of other uses of randomness in regulation, for example to limit the risks of capture of regulators (cf. Niskanen 1971, pp. 219–20; Rose-Ackerman 1978, pp. 167–88) or to counter the distorting effect of predictable performance indicator regimes (cf. Blau 1955).

4 CONCLUSION

Regulation of UK government seems to have grown substantially during the 'New Public Management' era (of bureaucratic downsizing and changing styles of public service delivery) that preceded the Blair Labour government. Along with apparently deregulatory 'let managers manage' rhetoric went a marked (but largely unremarked) increase in the resources, staffing and organizational numbers of arm's-length regulators of the public sector. The UK's New Public Management era cannot be adequately understood without reference to this growth of public-sector regulation. (Light's (1993, p. 17) study of the Inspectors-General in the US federal government also points to the contrast between Congressional and presidential efforts to reduce regulatory compliance costs on business and 'willingness to impose an ever-increasing level of regulatory and reporting requirements on executive agencies and their employees'.) Were the growth rates of the recent past to be maintained, the new century would see rapid further expansion of public service regulators relative to the 'doers' – a feature not usually included in visionary statements about what public management will or should be like in the new millennium.

Regulation in government continues to increase. Growth in regulator organizations and the direct and indirect resource costs of regulation were a marked feature of the plans and activities of the Blair Labour government up to the publication of *Modernising Government* in 1999. But, as suggested

earlier, the story of public-sector regulation under the first two years of that government was not simply one of continuing expansion but also of the emergence of a doctrine of public-sector regulation explicitly embracing the idea of more 'reflexive' regulation or 'enforced self-regulation'.

Careful thought about the organization and administrative strategy of public-sector regulation certainly seems to be needed, since it is hard to see how such regulation could be returned to the level of thirty or forty years ago. A more fragmented public service structure with more lateral entry is likely to be hard to govern through traditional informal, mutuality-based approaches to bureaucratic control, particularly when coupled with broader social developments augmenting legal formalism, transparency and declining public trust in middle-class professionals. But (whatever novelty it may represent in other aspects of public management: it has been examined here solely from a regulatory perspective), *Modernising Government* represented only a modest break with traditional approaches to public-sector regulation. It did not grapple seriously with the compliance cost issue, beyond vaguely acknowledging the existence of the problem. Its enthusiasm for administrative and policy fora did not apparently extend to promoting more general exchanges across the regulatory 'families' and its enthusiasm for competition as one of five principles for improving public services did not appear to extend to the regulators of those services. It would be easy to conclude that the traditional pattern, in which regulators of government neither fully compete nor fully collaborate, follow no general or consistent principles, and are not exposed to the disciplines they impose on their charges, is set to continue.

The key doctrinal change over public-sector regulation in *Modernising Government* (articulating a pattern developing particularly in local authority regulation and partly built into pre-existing practice by some public-sector regulators) is the enunciation of 'enforced self-regulation' as a general recipe. Some likely limitations of that approach have been suggested earlier, including capacity limits to putting hard cases 'in the clinic' and political processes tripping the enforcement escalator. But unless a twenty-first century future in which more and more regulators oversee each public service 'doer' is acceptable, some slackening in the pace of growth of secondary regulation of UK government will need to take place. 'Enforced self-regulation' in principle offers a way both to increase and diminish regulation of government, reducing high-level bureaucratic routine while increasing overall regulatory hitting power. It remains to be seen how far that approach lives up to its promise.

ACKNOWLEDGEMENT

This article builds on research funded by ESRC under its 1995–9 Whitehall programme and was originally presented to an ESRC conference at Birmingham University in 1998. We are grateful for comments and advice

from the conference participants and particularly from Rod Rhodes and anonymous referees.

REFERENCES

- Audit Commission 1999a. *From principles to practice, a consultation document* London: Audit Commission
- 1999b. *Best assured: the role of the Audit Commission in best value* London: Audit Commission (<http://www.audit-commission.gov.uk/>).
- Ayres, I. and J. Braithwaite. 1992. *Responsive regulation* Oxford: Oxford University Press
- Benefit Fraud Inspectorate 1998. *Annual report 1998* London: HMSO.
- Black, D. 1976. *The behaviour of law*. New York: Academic Press.
- Blair, T. 1998. *Leading the way: a new vision for local government*. London: Institute for Public Policy Research
- Blau, P. M. 1955. *The dynamics of bureaucracy*. Chicago: Chicago University Press.
- Breyer, S. G. 1993. *Breaking the vicious circle*. Cambridge, MA: Harvard University Press
- Cabinet Office. 1995. *Civil service statistics 1995*. London: HMSO
- 1998a. *Written statement on the Cabinet Office Review* (<http://www.open.gov.uk/co/review.htm>)
- 1998b. *Service first: the new charter programme*. London: HMSO.
- 1999. *Modernising government* Cm 4310 London: HMSO.
- Cabinet Office and Treasury. 1996. *Spending public money: government and audit issues* Cm 3179. London: HMSO.
- Civil Service Department. 1980. *The integration of HM Treasury and the Civil Service Department* Working Paper 2 London: HMSO
- Daintith, T. and A. Page. 1999. *The executive in the constitution*. Oxford: Oxford University Press
- Department for Education and Employment. 1997. *The Government's legislative proposals a summary* <http://www.dfee.gov.uk/raising/summary.htm>
- Department of the Environment. 1996. *Report of the Financial Management and Policy Review of the Commission for Local Administration in England. Stage Two*. London: DOE.
- Department of the Environment, Transport and the Regions 1998. *Modern local government: in touch with the people* <http://www.local-regions/detr.gov.uk/lgrp>
- Department of Health. 1998a. *The new NHS*. Cm 3807. London: HMSO.
- 1998b. *A first class service: quality in the NHS* London: HMSO.
- 1998c. *Modernising social services* Cm 4169. London: HMSO.
- Harden, I. 1995. 'Regulating government', *Political Quarterly* 66, 4, 299–306.
- Hoggett, P. 1996. 'New modes of control in the public service', *Public Administration* 74, 9–32.
- Hogwood, B. W., D. Judge and M. McVicar. 1998. 'Too much of a good thing? The pathology of accountability' Paper presented at the Political Studies Association Annual Conference, University of Keele 7–9 April 1998
- Hood, C. 1998. *The art of the state*. Oxford: Clarendon.
- Hood, C., O. James, G. W. Jones, C. Scott and A. Travers. 1998. 'Regulation inside government: where new public management meets the audit explosion', *Public Money and Management* 18, 2, 61–8.
- Hood, C., C. Scott, O. James, G. W. Jones and A. Travers. 1999. *Regulation inside government*. Oxford: Oxford University Press.
- Hutter, B. M. 1997. *Compliance*. Oxford: Clarendon
- Light, P. 1993. *Monitoring government*. Washington, DC: The Brookings Institution
- Majone, G. 1994. 'The rise of the regulatory state in Europe', *West European Politics* 17, 3, 77–101.
- McCahery, J., B. Bratton, S. Picciotto and C. Scott (eds.). 1996. *International regulatory competition and co-ordination*. Oxford: Oxford University Press.
- Niskanen, W. 1971. *Bureaucracy and representative government*. Chicago: Aldine Atherton.
- Office for National Statistics. 1995. *Annual employment survey 1995* London: ONS
- 1996. *Annual employment survey: Results for Great Britain*. London: ONS
- OECD 1997. *Regulatory reform* (2 vols.) Paris: OECD
- Power, M. 1997. *The audit society*. Oxford: Oxford University Press.
- Rose-Ackerman, S. 1978. *Corruption*. New York: Academic Press

Treasury 1996. *Public expenditure. statistical analyses 1996-97* Cm 3201. London HMSO.

Vincent-Jones, P 1998. 'Responsive law and governance in public services provision a future for the local contracting state', *Modern Law Review* 61, 362-81.

Walshe, K 1999 'Improvement through inspection? The development of the New Commission for Health Improvement in England and Wales', *Quality in Health Care* 18, 3, 191-6.

Wood, B. 1999. *Patient power?* Buckingham: Open University Press.

World Bank 1999. *Civil service reform. a review of World Bank assistance* Report No. 19599, Operations Evaluation Department, Washington, DC, World Bank

Date received 11 June 1999. Date accepted 10 January 2000.

•

RE-ASSESSING THE ROLE OF DEPARTMENTAL CABINET MINISTERS

DAVID MARSH, DAVID RICHARDS AND MARTIN J. SMITH

The study of the core executive has been dominated by discussion of the Prime Ministers and Cabinet with only limited serious treatment paid to ministers. However, ministers and departments are crucial actors in the core executive. This article examines the multiple roles and varying impacts of ministers. More particularly, we initially develop a classification of ministerial roles, which builds upon, but develops, work by Headey, James and Norton. Subsequently, we use this classification to pose two key questions. Which roles do particular ministers stress? In what ways has the balance between these roles changed in the last twenty-five years?

The focus of core executive studies has been upon the Prime Minister and Cabinet with only limited attention paid to ministers (for partial exceptions see Rose 1987; Hennessy 1989; James 1992, Barberis 1996; Dudley and Richardson 1996; Foster and Plowden 1997, Weir and Beetham 1999). However, ministers and departments are crucial actors in the core executive and have considerable autonomy in the development and implementation of policy (see Smith, Marsh and Richards 1995; Norton 1998; Marsh, Richards and Smith 2000). This article examines the multiple roles and varying impacts of ministers. More particularly, we initially develop a classification of ministerial roles. Subsequently, we use this classification to examine how the roles of ministers have changed in the last twenty-five years.

METHODOLOGICAL ISSUES

We conducted interviews with 22 ministers and 146 civil servants who served in four departments, the Home Office, the Department of Health and Social Security, the Department of Trade and Industry and the now disbanded Department of Energy, between 1974–99. We asked all ministers for their views on: their role; the senior civil servants who served under them; the departmental culture; the department's structure and policy preferences; and their own effect on departmental policy and management. Similarly, we asked civil servants their views about: ministers and their effect on the department's management and culture; and how the department was affected by outside pressures. These in-depth, semi-structured,

David Marsh is Professor in the Department of Politics, University of Birmingham, David Richards is a Lecturer in the Department of Politics, University of Liverpool, and Martin J. Smith is Professor in the Department of Politics, University of Sheffield.

Public Administration Vol. 78 No. 2, 2000 (305–326)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

TABLE 1 *Breakdown of numbers interviewed*

Grade	Civil Servants	
	Retired	Contemporary
Grade 1/1A	20	5
Grade 2	27	13
Grade 3	16	27
Grade 5-HEO	12	26
Cabinet ministers		Interest group representatives
22		15
Total number of interviews		183

interviews were conducted between September 1995 and August 1999. Where possible, we reinforce our interview data with reference to ministerial memoirs (see Richards 1996, p. 204). As such, we have an excellent data set (see table 1).

A CLASSIFICATION OF MINISTERIAL ROLES

In our view, there are four generic roles which ministers perform, with each complementing the others: a policy role; a political role; a managerial or executive role; and a public relations role. Each of these categories can be further sub-divided (see figure 1). These generic roles are inter-related and not mutually exclusive. So, if a minister is to be pro-active in his or her policy-making role, s/he will need to perform managerial or executive functions, for example, deciding on the extent of intra-departmental and interdepartmental discussions and interest groups consultation. Subsequently, the minister needs to steer the policy through Cabinet and Parliament, perhaps, at the same time, playing a public relations role, convincing the electorate of the benefits of a particular policy.

FIGURE 1 *Ministers' roles*

POLICY	POLITICAL	EXECUTIVE OR MANAGERIAL	PUBLIC RELATIONS
<ul style="list-style-type: none">• agenda setting• policy initiation• policy selection• policy legitimization	<ul style="list-style-type: none">• advocacy of department's position in Cabinet• parliament• European Union• party	<ul style="list-style-type: none">• departmental management• executive decision taker	<ul style="list-style-type: none">• overseeing departments relations with:<ul style="list-style-type: none">1. interest groups2. public3. media

REASSESSING THE ROLE OF MINISTERS

(a) The policy role

Headey (1974, p. 71) identifies three types of policy roles: the policy initiator, the policy selector and the policy legitimator or minimalist. In contrast, Norton (1998) distinguishes between commanders, managers, agents and team players, although such an approach conflates the policy and the managerial roles. We suggest that it is useful to sub-divide Headey's policy initiator role because, while many ministers attempt to initiate in narrow policy areas, there are some, although very few, who try to change a department's broader policy agenda; the latter we term agenda setters.

(i) *Agenda setters*

In our four departments there were a number of ministers who intended to change the broad agenda or policy line of the departments. A comparison between those who were successful and those who failed is particularly instructive.

Nigel Lawson affected wholesale change in the Department of Energy's agenda. In his view, the free market should determine Britain's energy policy and he used his earlier experience as Treasury Secretary to help force an agenda change in the department. The success of Lawson's approach, with its emphasis on privatization and the gradual erosion of the department's commitments in the energy field, eventually led to the department's demise in 1992. He argued:

My belief was that what was needed in the energy field was to apply economic principles, which included privatisation, and the market approach. It wasn't difficult because the Energy officials lacked the Treasury's self-confidence and were not really capable of the same degree of sustained argument and really a meeting with them would be very much shorter. They would put forward a proposal and you would shoot it down. They would be sullen but well mannered and then they would rather ruefully accept what you were trying to do (see also Lawson 1992, pp. 162–70).

Similarly, in the 1960s Roy Jenkins effectively shifted the Home Office away from an agenda of social conservatism to one of social liberalism. As he explained in an interview:

I had a very clear programme and saw my role as opening up a number of windows in the stuffy atmosphere of the Home Office. This was not overly difficult to do. A lot of Home Office officials were very eager to respond to a new liberal wind blowing in. I felt it was time for a change ... and I did not find it that difficult to shift Home Office opinion (see also Jenkins 1991, pp. 179–85).

A now retired Permanent Secretary from the Home Office witnessed, first-hand, the effect Jenkins had on the Home Office:

In 1966, Jenkins had a very large, very immediate, profound and lasting impact on the selection of people in the Home Office and the ability to convey and permanently register his view and aims in philosophical as well as purely policy terms. His influence went both deep and wide.

This new agenda left an imprint on the department that lasted well into the 1990s. The Jenkins' agenda survived a number of changes in government, including the advent of the ideologically driven Thatcher governments of the 1980s. As one senior Home Office official revealed in discussing the change of government in 1979:

One has to emphasize the surprising degree of continuity between the two different governments, which, despite the Thatcherite approach, remained unbroken up until Douglas Hurd left the Home Office in 1989. Indeed, the continuity remained intact from Jenkins in the sixties, all the way through to Hurd. During that time, the Home Office did have a sense of a great deal of continuity in what it was doing and what its approach should be.

When Michael Howard became Home Secretary, he explicitly wished to remove the Department's liberal bias. He outlined his agenda:

The Home Office clearly thought that the problems they faced were intractable and there was nothing to be done about such issues as rising crime. (. . .) I thought you could do something about crime. I deliberately set out to change the system so that it gave the police a fairer chance of bringing criminals to book and also by encouraging the courts to imprison those criminals responsible for a disproportionate amount of crime. I was trying to change things and therefore had quite strongly developed views on the direction in which I wished to go.

The change in the DTI agenda only occurred with Lord Young in 1988. Indeed, the DTI had a range of ministers in the 1980s who were free marketeers, but they did little to undermine the essentially interventionist ethos of at least the industry side of the department. Young, who was a special adviser in the department between 1980 and 1982, argued:

I think there was resistance. Officials would come to me and say 'David, this is all very well but after the next election all this is going to get changed back so we can't let things get changed too much', because we had this period of trying to go one way and then the other. It was only after the 1983 victory with a majority of 140 and the disintegration of Labour that officials began to realize that this was a way of life and things started to accelerate.

In contrast, Young was a determined ideologue. As he put it:

I'm an ideologue and I came in with a clear idea. Now it would be wrong to say I had it all wrapped up and I knew what I wanted to do but I did

have general principles. Peter Carrington, and a number of subsequent ministers, particularly in the last six years of government, just liked the job and carried on. (...) I went into politics, not because I wanted to be in politics but because we wanted to institute change (see also Young 1990, pp. 249–50).

Not all agenda-setting ministers have an agenda when they take office. So, although Peter Lilley changed the agenda of the Department of Social Security, he admitted:

I certainly didn't have a conscious agenda before I started. I never devoted much of my ambition to becoming Secretary of State for Social Security or anticipated becoming that. So I had never worked out my thoughts in detail. I had my prejudices and principles, which I applied, but only gradually, as I got to know the form. And certainly I assumed that my instincts were different than those of the department or of the direction in which it had gone for the previous fifty years.

For Lilley, the new agenda change was worked out over a five-year period and was not opposed by his civil servants; indeed, it was a collaborative effort. He spent an unusually long time as secretary of state and was therefore able to work through his own agenda for change.

It is instructive to look at two ministers, Tony Benn and Keith Joseph, who tried to change a departmental agenda but failed because their experience suggests there are some factors which strongly affect a minister's chances of achieving such change. Tony Benn was convinced that the civil service was conservative. He argued that officials did everything they could to frustrate any radical change (Benn 1980). As he said in an interview:

... civil servants think that continuity of government works within the department and people come in and stay for a year or two in the bridal suite of the Grand Hotel but they still run it ... I think they do think that and its your job not to get angry about that, but just to shift it.

He wanted the Department of Industry, and subsequently Energy, to become departments of economic planning more supportive of the interests of the trades unions than of business. However, according to Benn, the Permanent Secretary at the Department of Industry said: "I take it you are not going to implement the manifesto". He actually said it to me. I said, "You must be joking" and I circulated the manifesto to all civil servants and told them, "That's what we have been elected to do".

Benn believed his officials intentionally thwarted the implementation of his agenda. Yet, one official who served under him felt: 'Benn was not thwarted exactly, but he was certainly subjected to a good deal of advice that he found unwelcome'. The problem was that Benn upset his officials by ignoring and questioning their advice and by developing an alternative advice network through 'his rather pernicious political advisers' (one

official); the 'dreaded Frances Morrell and Francis Cripps' (another official). He also used his contacts in the Trade Union movement as a regular, alternative, consultative outlet; often playing-off the advice he had received from within his department with that which TU officials had provided. Although constitutionally permissible, these actions did not endear Benn to his officials.

Benn's second problem was his isolation in Cabinet. As Merlyn Rees rather irreverently observed of Denis Healey's reaction to Benn in Cabinet: 'Denis would sit there and Tony would go on and Denis's view was a little bit like that of Enoch [Powell], that the logic was good but the conclusions were balls. Denis would say "And now here comes the bullshit".'

Ultimately, Benn failed in his task to alter the department's agenda. Indeed, if anything, by alienating his officials, he created considerably more intransigence within the department. Bereft of prime ministerial authority, there was little he could do to bring his officials into line.

In 1979, Keith Joseph was appointed Secretary of State for Industry. He was confronted by a highly interventionist Whitehall department. His intention was to introduce a new *laissez-faire* agenda and he even distributed the works of Hayek and Friedman to his officials in order to demonstrate his commitment to a new approach. However, despite the opportunity provided by the perceived failure of the interventionist policies of the Wilson and Callaghan Administration and the election victory, Joseph had little success in changing the department's prevailing world view. In the words of one official: 'Keith Joseph didn't throw (interventionist policies) out of the door straightaway, he was willing to examine with us, very carefully, what we were doing, why we were spending this money and what effect it was likely to have'. Despite his ideological preferences, he was unable or unwilling radically to change the policy direction of the department. As Kenneth Baker argued: 'Keith Joseph had a much greater intellect than either David Young or myself. But that made him indecisive. He could see both sides of the problem and could be seduced intellectually, as was the case when he was in Education as well' (see also Baker 1993, pp. 161-2).

It is also important to note that in three of our four departments successful agenda setting post-1979 did not occur instantly but rather over a number of years (see table 2). Moreover, the successful agenda setters often built upon initiatives introduced by others. So, for example, in the case of the DSS, Norman Fowler's welfare review (1986) attempted to change the department's attachment to Beveridge, but it was the piecemeal approach of Lilley in the 1990s which altered the way the department viewed welfare. Similarly, in the Home Office, David Waddington tried to shift the department towards a more socially conservative outlook, but events overwhelmed him and it was Michael Howard's period in office which altered the mind-set of the department. Finally, in the DTI, Keith Joseph tried but failed to alter the department's interventionist orientation. It was David

TABLE 2 *Agenda setting*

Department	Agenda setter		Agenda change
	Stage 1	Stage 2	
Home Office	David Waddington (1988–99)	Michael Howard (1993–97)	Move to social conservatism
Department of (Health) (and) Social Security	Norman Fowler (1981–87)	Peter Lilley (1992–97)	Questioning the universality of Beveridge
Department of Trade and Industry	Keith Joseph (1979–81)	David Young (1987–89)	Shift away from interventionism

Young who instituted change, reducing intervention and stressing enterprise. In all these cases in could be argued that there were two stages in the agenda-setting process.

One other issue deserves comment before we move on. Our evidence illustrates that the Thatcherite project affected various areas of policy at different times: in Industry, the impact occurred early on; more generally, for the whole of the DTI the policy change occurred in the mid-80s; and in the DSS and the Home Office, it was the Major Administration which fully implemented policy changes, initiated during the Thatcher era (Ludlam and Smith 1996). As such, any attempt to assess a Thatcher or Major effect needs to be disaggregated across policy areas (Marsh and Rhodes 1992; Dolowitz *et al.* 1996).

(ii) *Policy initiators*

Some ministers do not aim to change the overall direction of the department, but attempt particular policy initiatives. For instance, Patrick Jenkin admitted:

I was a mandarin's minister. I remember when I first went into the Department of Energy (. . .) I was meeting a group of civil servants and they said: 'Patrick we can't tell you how encouraging it was that, for the first time, we had a minister who took the papers away, read them, came in the next morning and discussed them and then made a decision'. I said, 'But that is what you are supposed to do isn't it?' And they said 'Yes, but you're the first we've had for a long time'.

Jenkin was not concerned with challenging the agenda of the DHSS. The dominant view of most of his officials was, as one official put it: 'there was continuity there, although the parties changed, the policy didn't'. (Although there was one dissenting view by an ex-official who argued that Jenkin: 'arrived with a clear brief to take the department apart, and to stop all the nonsense that had got the country into the mess it was in.) Nevertheless, although Jenkin was generally a mandarin's minister, he was also prepared to initiate policy against the advice of his civil servants, as he did when he abolished the earnings limit for pensioners.

(iii) Policy selectors

A number of ministers in our departments were content to play the role of policy selectors: choosing from the alternatives set out by officials. Merlyn Rees said he had 'not a word' of an agenda when he became Home Secretary in 1976. Douglas Hurd admitted:

Despite having experience of the Home Office as a Junior Minister in the early 1980s, when I was appointed Home Secretary I saw my role much more as managing the department and keeping an eye open for any potential crisis looming on the horizon, rather than introducing my own social agenda on law and order. In my time, I ensured the Home Office was a fairly transparent department in which to work, as I was most concerned to consult widely and heed the views of my senior officials.

Likewise, Kenneth Baker, whilst suggesting that he did have an agenda when he went into departments, admitted: 'Any Home Secretary is bound to have less of an agenda as he soon realizes that there is not a great deal you can change'. He also suggested that one area where he did have a particular agenda involved prison reform: 'which was fully supported by the Woolf Report which the Prison Department in the Home Office also favoured (see also Baker 1993, p. 458). Effectively, Baker's main policy concern was one that dovetailed with the Home Office's existing view.

(iv) Policy legitimators/minimalists

Headey indicates some ministers can be minimalists, who, at most, merely legitimize departmental policy; unfortunately, he provides no examples in that category. In our four departments there were a number of ministers who had almost no impact. However, in most cases this was because they were in office only briefly or were overwhelmed by events. For example, whilst Peter Lilley significantly changed the agenda of the DSS, his short tenure at the DTI left no discernible legacy. John Moore, despite a rhetoric promising 'big ideas' on the reform of welfare policy, was overwhelmed by the task and quickly removed. Lord Carrington and Patrick Jenkin admitted that when they were put into the new Department of Energy they were so overwhelmed by an energy crisis that there was little, if anything, they could do (see Carrington 1988, pp. 262–3). As Jenkin recalls:

We never had a remote chance because we were fighting a fourfold rise in the cost of oil and a national coal strike. We hoped at one point it might have been a four day week and I had to go down to the House and explain why it couldn't be. I mean one was just absolutely up to one's ears.

Carrington's recollection was graphic: 'We were living in a war'. Similarly, David Waddington argued that he was constrained by both the lack of time and the impact of the Strangeways' riots on the department in his

time at the Home Office. Consequently, he made little impact on the direction of the department:

I wasn't really there long enough to bring about major change and, particularly, with all the problems we had in prisons and the Strangeways affair, one did tend to be absolutely overwhelmed by events as they unfolded. There wasn't really a lot of chance to bring about radical change even if one had wanted to do so. But then again, we did just begin ... it was when I was at the Home Office that we were shaping up to big decisions about introducing the private sector into the running of prisons but the actual decisions were not being made.

(b) Political roles

Almost all senior civil servants will claim that the two key characteristics they want in a minister are decisiveness and political judgement. In this section, we deal with four aspects of a minister's political role: their dealings with the Cabinet, Parliament, Europe and the Party.

(i) *The minister and the Cabinet*

As one senior civil servant said to us: '*Yes Minister*, while very funny, has a lot to answer for'. Its caricature of the minister/civil servant relationship suggests that it is a zero-sum game; as with all caricatures this representation is tendentious. The two need one another. Civil servants provide information and advice, ministers provide political judgement and political skills to ensure departmental policy initiatives are approved by Cabinet and legitimated by Parliament. Political judgement is crucial in a minister. As one Permanent Secretary argued: 'a good political sense is what we need in a minister because we don't have it'. Another past Home Office Permanent Secretary put it more graphically:

A minister needs an ability to see trouble coming ... he also needs the ability to perceive that there are considerations other than those that appeal to the readers of the *Sun*. Capital punishment and corporal punishment are two cases in point; there is not the slightest evidence at all that either acts as a deterrent, but the ordinary man on the Clapham bus believes that there is.

At the same time a department can draft policy, but it cannot ensure it will become law; it needs a strong minister to gain approval for its initiatives. A minister who cannot win in Cabinet is a liability. So, as a recent example, the DTI was very glad to get Peter Mandelson as the secretary of state, if only briefly, and a number of civil servants referred to him as their first 'heavy hitter' in Cabinet since David Young and Michael Heseltine.

(ii) *Ministers in Parliament*

Civil servants often link performance in Cabinet with performance in Parliament. Of course, a great deal of civil service time is spent writing briefs

for ministers for their performances upon the floor of the House of Commons (debates and particularly question time) or before Select Committees. To civil servants, outstanding performances in the House of Commons strengthen the minister, and thus the department, in Cabinet. As one retired Permanent Secretary argued: 'we wanted to win in Cabinet ... and (needed) a minister who was good in the House of Commons'.

Not surprisingly, our interviews with senior civil servants are littered with judgements of ministers based upon this criteria; a few illustrate the point:

- 'Patrick Jenkin was marvellous in Cabinet and was very good in the House of Commons.'
- 'Mrs Castle was a very good Minister ... She was a very effective speaker, a very effective Cabinet person and very good in Parliament.'
- 'Paul Channon really didn't have the weight in Cabinet to follow those two and his performance in the House was poor'.

(iii) Ministers and Europe

Europe looms larger in the life of all Cabinet ministers than it did two decades ago, but much more in the life of some than others. So, the Foreign Office, the Treasury, the Ministry of Agriculture, Fisheries and Food and Customs and Excise have been intimately involved since Britain first joined. Other departments, including the Home Office, and particularly the DTI, have gradually increased their involvement over time. A department's involvement with Europe takes a number of forms: most importantly, the Single European Act extended the Community's policy responsibilities, so in many areas Britain is bound by decisions taken at EU level and, to that extent, a minister is constrained; almost all cabinet ministers are members of the relevant EU Council of Ministers which meets regularly to discuss and initiate relevant policy in their area; every six years (at present), when Britain has the Presidency, a minister will chair the relevant council for six months and, in so doing, organize and decide on the agenda for meeting.

As such, Europe is very important for some departments. As one senior official in the DTI (from our study the department most involved with Europe) put it:

There is no division in the DTI which is not, in some way or another, involved with Europe ... Even the personnel side deals with secondments ... Probably I think we have the biggest involvement with Europe of any department because we are much bigger than MAFF. A higher proportion of MAFF policy is subject to the EU but they are a small department.

A minister's performance in the European arena has become an increasingly important aspect of the job and one by which s/he is judged by the department.

(iv) Ministers and the Party

The Party looms large in the vision of ministers, but less so in that of the department. So, the minister is concerned about his/her standing within the Party, because that may be crucial for future job prospects. For that reason a proportion of a minister's time is taken up on Party business; attending the Party Conference, addressing other party gatherings and dealing with the Party in the constituency. For most ministers this takes up a limited amount of time, although it is, to an extent, concentrated at particular times of the year and periods of the electoral cycle. Nevertheless, the department often begrudges this time, even if they understand that politics is likely to be at least as high on a minister's agenda as government.

However, increasingly, the major way in which Party impinges on a department is through the role of special advisers. The number of special advisers has fluctuated but there is no doubt that it has increased significantly over the last two decades; perhaps most significantly since the election of the Labour government in 1997. Advisers tend to be of two types, policy advisers or public relations experts; in the current jargon 'policy-wonks' or 'spin-doctors'. Both types of advisers can cause tension within departments; but the pattern is not uniform. So, one Treasury civil servant argued:

There is quite a lot of resistance (to special advisers) and certainly for the first 6–9 months (of the Labour government) officials were heard to say: 'this will soon settle down and go back to normal'. But of course it never has. I think officials have increasingly understood that this is how it is going to be.

In contrast, a DSS Grade 5 claimed:

I've never seen the current special adviser, which is some indication. I think the current adviser is more of a detail man, more than a spin-doctor. The first lot of ministers had two advisers who were both into spinning rather than anything else. We had a fair degree of contact with them, which was fine. However, I think one of the advisers stirred up a lot of mistrust with the minister.

Of course, not all ministers have, or like, special advisers. So, one DTI minister asserted:

I'm not all that keen on special advisers if I'm honest. I'm all for peer review but I don't think we make enough of our officials. They are very bright people and they certainly want to help and be part of transforming public administration . . . but in a sense they are being sidelined . . . they are now really there to (assess) radical suggestions coming from outside the department.

A current special adviser in the DTI offers a more critical view from the 'other side':

I remember when I was a civil servant I hated special advisers. (...) I think that the officials don't like advisers attending meetings with ministers and contributing, but what they hate most is advisers getting involved in the department lower down. That is exactly what we have done to try to shape the way that policies are coming up by talking to more junior officials in order to see who is working on areas in which the minister is interested.

The pattern is complex and evolving, but clearly a minister with (a) special adviser(s) has to ensure that the relationship between the adviser(s) and the department is co-operative, rather than competitive; this is an important new role for ministers.

(3) Executive and public relations roles

Headey saw executive and ambassadorial ministers as distinct types. However, ministers have little choice but to combine the executive and public relations roles with the policy role. Indeed, both Lawson and Young saw managerial decisions as being crucial for the wider policy goals. Lawson believed personnel management was crucial to achieving policy goals:

In the Treasury, I tried to promote the right people. That is very important as you must get the right people into the key posts, people who at least understand what you are driving at ... Promoting the ablest of the younger civil servants is an indispensable part of getting the changes which are necessary.

Young focused on the structure of the department. He established a unit to review the work of the department and he curtailed regional aid and ended sponsorship. He replaced the traditional goals of the department with a new set of principles based on advising rather than directing industry.

However, as Hennessy (1989, p. 608) points out, most ministers do not see their primary role as chief executives of departments (that is the Permanent Secretary's function). Heseltine was a rare exception as a minister with a strong interest in management:

Heseltine was, in both senses of the word, a Whitehall freak. He was fascinated by the machine, avid to trim it and supercharge it. I can think of no other politician who would devote, as Heseltine did, the first two chapters of his political testament to the subject (Hennessy 1989, p. 607).

Moreover, one very senior ex-civil servant compared the contrasting approaches of Michael Heseltine, William Whitelaw and John Nott:

Michael Heseltine was undoubtedly very interested in management reform and very keen on it. Other ministers at the Home Office, such as Whitelaw, regarded it as their duty to be the political manager of policy. Whitelaw saw his duty as to be sensitive to the political dimensions of

policy and to concentrate on that. He did not want to consult about the management of the job. He did not feel he would have anything by way of experience to offer. When John Nott was at the MoD he took very much the same view as Whitelaw. He was not against management change, but he thought he had many other things to do.

Young and Heseltine also saw public relations as central to their wider policy goals. Heseltine focused, to some extent, on relations inside and outside the department. He wanted officials to feel part of the department and, therefore, was concerned with informing all levels of the department about changes he was introducing. Indeed, he even made an internal video explaining the changes he wished to introduce and the whole department took one afternoon to watch the video, which was followed by a question and answer feed-back session. However, this initiative did not have the impact Heseltine hoped. The broad consensus among DTI officials was that the video format, in which Heseltine (a mild sufferer of dyslexia) rather stiffly read from an autocue, simply embarrassed the corporate image of the department. (Heseltine's use of a video presentation was not unique in the DTI. David Young and Peter Lilley also made similar, but more polished, video presentations which were more favourably received within the department.) Similarly, Young paid a great deal of attention to publicizing the role of the department to the general public. He used intensive television advertising, in which the DTI was portrayed as the department of enterprise.

Other ministers had different public relations strategies. When at the DSS, Tony Newton was concerned with keeping issues out of the news believing that media attention could turn relatively mundane matters into potential political time bombs. Similarly, Lilley confided that at the DSS: 'I was more aware that I had to use the media and that I had to be careful' because in Social Security 'quite sensible policies, when they interact with hard cases, can get Social Security Ministers involved in a terrible fuss.' Lilley would always include his press officer in policy discussions because 'he was very good at advising me on how things would be seen, so I could plan the media coverage ...'

In the Home Office relations with the media can affect a Home Secretary on a number of different levels. First, it is rare for serving Home Secretaries not to have had their own agenda impacted on in some way by a high-profile media story. As Whitelaw (1989, p. 161) observed:

A Home Secretary is particularly exposed to sudden and totally unexpected storms. It is truly said that he can go to bed at night with a clear sky as far as Home Affairs are concerned and wake up the next morning with a major crisis on his hands. Worst of all, many of these particular events permit no simple solution and provide the press with marvellous copy.

For example, the last ten years have witnessed Douglas Hurd and the

Hungerford massacre, David Waddington and the Strangeways riot, Kenneth Baker and dangerous dogs, Ken Clarke and Jamie Bulger's murder or, most recently, Michael Howard and the Dunblane tragedy. Each case reveals the causal relationship between emotive stories surfacing in the media and the pressure Home Secretaries then face to be seen to take quick, decisive and effective action. The Home Secretary, probably more than most Cabinet ministers, is at the mercy of events over which he or she can have little or no control. They are often placed in a position in which they are simply reactive. David Waddington was clear about the repercussions of the Strangeways breakout:

We were sailing merrily on with the demands of the Broadcasting Bill and the Criminal Justice Bill when Strangeways blew up and this had awful implications for my career and for the future of prisons. We acted in the right way, as the press got bored after the first few weeks, but it was humiliating seeing those pictures in the papers.

Although Waddington did not resign over Strangeways, his ministerial career and his Home Office policy initiatives were effectively destroyed by the incident, which also demonstrates the impotence of Home Secretaries in the face of events over which they have little control.

At another level the need to respond to media pressure, often with the introduction of swift policy measures, sometimes leads to poorly drafted and ill-conceived legislative packages. One official referred to this process as an 'operational spasm' which regularly occurred in the Home Office. This was the case with the 1991 Dangerous Dogs Act, despite Kenneth Baker's claim in an interview that: 'This was one of the best pieces of legislation I introduced' (see also Baker 1993, p. 436). The majority of his officials who worked on the bill did not share this view. They were distinctly unhappy with what subsequently proved to be an almost impossible bill to implement and enforce. As one Home Office official commented:

The dangerous dogs issue was interesting, as for ministers it is a difficult department to be in as you never know what is going to be thrown at you. Nor do you know what the public reaction is going to be. In my experience, Home Secretaries normally have two choices and the way they go depends on their personality. Something happens and there is a call for a response and you are either the sort of person who will sit tight and let it blow over you, or you reach out and say that something needs to be done immediately. Kenneth Baker was not the sort of person to sit back and say how terrible it was that these things happened. What followed went down in Whitehall folklore as 'infamously bad legislation'.

Another official involved in the Act was even more scathing:

We had a rash of really nasty incidents usually involving children and unpleasant dogs like rottweillers and in the end poor old Baker had to

do something. It was that sort of syndrome and the result was that we cooked up a bill at very short notice. It raised all sorts of ghastly administrative problems about how to actually enforce the proposed controls on the dog-owners. It was pretty bad, poor legislation because it was done in such a rush. The Home Office in my time probably had an emergency bill in more sessions than not. Now that's unusual and something most departments do not have to face.

Douglas Hurd, reflecting on the media response to the Hungerford massacre, appreciated the problems which crisis management, followed by hurried policy making, can produce:

I think there is a real problem for Home Secretaries, the example for me being the Firearms Act after the Hungerford massacre. The legislation was not instant, it took us a while, but it became perfectly clear as it proceeded through Parliament that it was defective and that officials simply did not know enough about guns. Douglas Hogg and I sifted through the policy proposals, but it quickly became obvious that they were factually inadequate and we had to make quite a lot of amendments simply to bring the policy in line with the facts. I learnt something from that and, at the time, I was certainly under pressure.

Crises that blow up in society and urgently require the Home Secretary to respond in some way place the ministers under immense pressure, further exacerbated by the effects of emotive media coverage.

At a third level, some Home Secretaries have perceived it was important to provide a positive, or at least sympathetic, image/response to the media about their department. As one of Roy Jenkins's senior officials noted:

Jenkins was concerned about presentation, as can be seen by the way he used his private office in order to become more informed on what was going on around the department and on the political agenda. His own political agenda, in terms of style as well as policy, was quite a radical change, well shown in the way the public relations office and the press officer became much more powerful figures and started to come along to departmental meetings. Thus, during the 1960s, the department became more conscious of its profile regarding presentation to the outside world.

Finally, Michael Howard provides a case study of a minister's interpretation of the degree to which the media affected his own position. He claimed that, because he had a clear, ideologically informed agenda, something that was unusual in a Home Secretary, unlike his predecessors, he was not influenced by the vicissitudes of media-related stories:

I was not deterred by unfavourable publicity or potentially media-unfriendly decisions. I did not respond to that pressure which was one of the ways in which I was different. Of course, one of the things you

have to know in the Home Office if you're going to change things is that it is a high risk. But I felt it was essential that things were changed and if that meant doing things that meant I would get a lot of criticism, which of course I did, I decided right from the start that I could not let that deter me. Because if I did, I would not dare tackle the things I felt needed tackling.

However, the majority of senior officials who served under Michael Howard argued that he was the most media-driven Home Secretary under whom they had served. This view was encapsulated in the comment of one of his officials:

All Home Secretaries are more reactive to public opinion and the media than in other cabinet posts. A Home Secretary cannot but help be reactive to public opinion and, indeed, today there is more public opinion than there ever used to be. However, of the thirty years I spent in the Home Office, Howard was far and away the most media-oriented minister I ever worked under. If he saw a related article in the press, he almost immediately felt the need to respond to it in whatever way.

The impact the media has on ministers today, compared to when Harold Macmillan was Prime Minister over four decades ago, has escalated significantly. More particularly, of all the cabinet posts, bar that of Prime Minister, it would appear that one essential prerequisite of a successful Home Secretary is an ability to be sensitized/responsive to the demands presented by the media.

THE CHANGING ROLE OF MINISTERS

If we take Headey as our benchmark it seems that the role of ministers has changed in four main ways.

- First, the public relations role of ministers is much more important than it was previously.
- Second, and most importantly, we would argue that ministers have a much more important role in policy making than that claimed for them by Headey.
- Third, the political role of ministers has become more complex because of the increase of special advisers, whose relationship with the departments is often difficult.
- Fourth, relations with Europe are of great significance, especially in a department like the DTL.

The first two of these conclusions need elaborating, the second at some length.

The growing importance of the media

In the last thirty years the role of the media in politics has greatly expanded. As one Cabinet Office official said: 'in 1965 there were about nine news

broadcasts a day, now there are 49 an hour!' This has had a significant effect on the work of departments. As the same official pointed out: 'In a year the Home Office will handle 175,000 media inquiries, host 200 major media events, give hundreds of interviews and issue at least 800 press notices.' For that reason the Home Office has a fully equipped broadcasting studio with fibre optic links to broadcasters.

All this means that ministers have to be much more concerned with media presentation of their policies, their departments and themselves. It is perhaps not surprising that many ministers in the Labour government have spin-doctors located in their departments.

More proactive ministers?

For Headey (1974), ministers often lacked policy objectives. He argued (p. 271):

Given that politicians are not qualified and civil servants are not motivated to act as policy initiators, it is not surprising that specialists in different policy areas find evidence of lack of innovation and reluctance on the part of post-war British Governments to reorder their priorities.

In contrast, our research suggests that ministers have a greater policy role now than previously; a conclusion which reinforces other literature on Whitehall which contends that ministers are increasingly proactive (Campbell and Wilson 1995; Foster and Plowden 1997; Richards 1997). Obviously, most of this change results from the changing political climate over the past twenty-five years. Indeed, many claim that the Conservative years between 1979 and 1997 were marked by a surfeit, rather than a shortage, of policy initiation (see Rhodes 1992, Mather 1994, Marr 1995). Certainly, our interviews indicate that a number of ministers in the last Conservative Administration attempted to change the agenda of their departments.

In our view, there are two main reasons for the increase in the number of agenda-setting ministers during the Conservative Administrations. Firstly, all the ministers concerned were ideologues drawn from the right of the Conservative Party, so they had an alternative ideological position from which to develop policy proposals. Secondly, and to us more importantly, they also had a different view of relations between ministers and officials than that enshrined in the traditional Haldane model. This model saw officials and ministers as partners; civil servants could be trusted to exercise considerable discretion (Richards 1997; Richards and Smith 1998). In contrast, the Thatcher governments were more critical of civil servants whom they viewed as a cause of, rather than a solution to, what they saw as the core of the governance problem; weak, ineffective, government pursuing consensual policies because it was in thrall to particular interests. To break out of this stultifying embrace, government and ministers needed to exercise executive autonomy. As such, to the Conservatives the chief role

of the civil service was not to advise on policy but to assist the ministers in carrying out government policy. At the same time, the Conservatives were more willing to use special advisers, although not to consult interest groups, as alternative sources of information. All this meant that Conservative ministers were encouraged to lead their department, to change departmental thinking and, in Bulpitt's (1986) term, to project an image of their governing competence.

Although, it may be fair to conclude that there were more agenda setters during the Conservative years, some ministers are always more successful at initiating policy change and agenda change than others. Headey suggested ministers were more likely to be successful when they had time to change policy, if they had limited objectives and if the department was fragmented so there were specific manageable policy areas to change. Our research throws light on these conclusions.

Time is a crucial resource and ministers who lack time either because they are in office for a short period or because they are overwhelmed by events are unlikely to make a large impact. However, the cohesiveness/fragmentation of a department seems a less useful predictor of change. The Home Office is a fragmented department, but it seems to have followed a consistent agenda from the 1960s until the tenure of Michael Howard in the 1990s. In contrast, the relatively unified DSS was changed successfully by Peter Lilley, partly because he had the expertise and the time to develop his agenda and foster close relations with his civil servants. He was therefore able to see policy changes through.

Nevertheless, the nature of the department does make a difference. In Lawson's view:

If you take, for an example, a very old and strong and on the whole self-confident department, such as the Home Office, then it is very much harder to change that culture than it is in a new department like the Department of Energy. It was a department that was new and very low in the Whitehall pecking order with no history and had been demoralized for various reasons so I did not have nearly as great a task as I would have had in a Home Office type of department.

An official also expressed a similar view about the DSS: 'You cannot change social security overnight. It just can't be done. Some changes take years but all changes take a long time'.

The most important requirement if a minister is to change a department is that he or she has an agenda. All the ministers who have brought significant change to departments such as Young, Lilley, Howard and Jenkins have had an agenda; a vision of what they wanted to do. However, an agenda is not enough. In particular, ministers need the backing of the Prime Minister. In addition, their task is much easier if they have the support of their department. Both Benn and Joseph had agendas. In Benn's case he lacked backing from the Prime Minister and Cabinet and, partly because

of this, lost the support and trust of his civil servants. Joseph lacked the political will to push through his agenda and spent too long prevaricating over policy issues.

Both Benn and Howard had clear agendas and were distrustful of their officials. There was a high degree of dissatisfaction with both ministers among their officials. However, Benn failed while Howard was successful. What Howard had that Benn lacked was prime-ministerial support, which is clearly an important resource in Whitehall battles. Moreover, although the agenda Howard was following could be regarded as more radical than that of previous Conservative Home Secretaries, it was certainly not incompatible with broader government policy and so he did not face the cabinet resistance which Benn continually came up against.

Benn, Howard and Lilley all wanted to be agenda setters, but they used markedly different strategies. Both Howard and Benn were prepared to ignore official advice because they believed that it was tailored to the departmental line. Howard used his authority, bolstered by prime-ministerial support, to impose his views on officials. Benn worked closely with his personal advisors and the few officials he felt he could trust, ironically one being the current Cabinet Secretary, Richard Wilson. Benn's diaries record: 'Frances, Francis and Richard Wilson are busy on a paper on reactor choice' or: 'Apart from Richard Wilson, who has been most helpful, the Department have been utterly deceptive and have behaved disgracefully over this' (1990, pp. 256, 272). He tended to try to keep his policy proposals to some extent secret from the department and from the rest of Whitehall. Lacking allies both in the department and in the Cabinet, it was very difficult for Benn to achieve his policy goals.

Peter Lilley recognized that there was a commitment in the DSS to policies of universal welfare and that it was difficult to change social security policy without the support of the department. He therefore opted for incremental change and was assisted by his long tenure in office, which enabled him to build alliances within the department and, in so doing, bring the DSS round to his way of thinking:

I took a deliberate decision that you could only get reform if you carried people with you and you can only carry people with you if you raise the profile of welfare reform and made it seem something that we needed to do. Which I thought we did but I thought we could convince people of that and that then once they take that general thesis then individual reforms would become easier.

The different approaches adopted by Benn, Howard and Lilley suggest that, although it is important to know how a minister perceives his/her role, in order to understand a minister's success we also need to look more closely at the context within which he or she operates and, in particular, at his/her relations with the Prime Minister and the department.

CONCLUSION: MINISTERS MATTER

Ministers are important. Civil servants cannot act alone; they lack the legitimacy to do anything without ministerial authority, which explains their preference for decisive ministers. Consequently, ministers are potential agents of change; they are in departments to do (or thwart) things and we need to try to understand how and why they act.

Ministers have multiple roles. They are not totally department-centred, often seeing departments as a resource to be used in other arenas, whether in the Cabinet, the Party or the public arena. We need to pay attention to two other factors in order to explain the nature of ministers, their goals and their strategies. The strategies that a minister adopts will affect his/her performance of the various ministerial roles. At the same time, the roles a minister emphasizes will depend to some extent on his or her goals. A crucial, perhaps the most crucial, goal of a minister is to advance his/her career; most often to survive, to win promotion or, even, to become Prime Minister. Such goals may or may not be compatible with what a department is attempting to achieve. What ministers want to achieve affects the way they act. Nigel Lawson could afford to take risks because he did not have a strong desire to become Prime Minister. The fact that ministers like Willie Whitelaw and Peter Walker were not dependent on the Prime Minister meant they had considerable autonomy in their ministerial roles. As Walker observed (1991, p. 146): 'I was in the Cabinet because she thought I was safer in than out'. The point is confirmed by Roy Jenkins's experience in his second spell at the Home Office. In 1974, Wilson persuaded Jenkins against his will to become Home Secretary again; no doubt aware that Jenkins might prove a focus of Labour discontent if left on the backbenches. Jenkins knew that this placed him in a strong position:

In the second government, the Prime Minister was more eager to keep me in the government than I was to stay in. So *vis-à-vis* the Prime Minister, my power was enormously greater in the second Government. I was really very doubtful the second time and as a result I had absolutely nil Downing Street interference during the second Government (see also Jenkins 1991, pp. 370–6).

These examples demonstrate that strategies and roles cannot be separated from ministerial goals.

Our research suggests there has been a change in the role of ministers. Partly because of ideology and partly because of a changing view of the role of civil servants, ministers have become more proactive in policy making. Twenty-five years ago Whitehall was more insulated from outside pressures and most ministers' advice came from officials. In such an environment, most ministers' ambitions to change policy were limited. In the 1980s, some ministers had grander plans to introduce permanent change in the general directions of their department and they often looked outside the department for policy advice. All ministers, except those who lacked time

or were overwhelmed by crisis, had some policy role. However, this is not to suggest ministers are omnipotent actors, able to bring about significant political and cultural changes inside and outside departments. Rather, their actions need to be considered within the structural context within which they operate.

ACKNOWLEDGEMENT

The research reported in this article was part of the ESRC Whitehall Programme (award no. L12451023).

REFERENCES

- Baker, K. 1993. *The turbulent years my life in politics*. London: Faber and Faber.
- Barberis, P. 1996. *The elite of the elite permanent secretaries in the British higher civil service*. Aldershot: Dartmouth.
- Benn, T. 1980. *Arguments for socialism*. London: Jonathon Cape.
- 1990. *Conflicts of interest diaries 1977–80*. London: Arrow.
- Blackstone, T. and W. Plowden. 1988. *Inside the think-tanks advising the British Cabinet 1971–83*. London: William Heinemann.
- Bulpitt, J. 1986. 'The discipline of the new democracy. Mrs Thatcher's domestic statecraft', *Political Studies* 34, 1, 19–39.
- Campbell, C. and G. Wilson. 1995. *The end of Whitehall death of a paradigm?* Oxford: Blackwell.
- Carrington, P. 1988. *Reflections on things past*. London: Collins.
- Cockett, R. 1995. *Thinking the unthinkable think-tanks and the economic counter-revolution*. London: Fontana.
- Crossman, R. 1972. *The myths of cabinet government*. Cambridge: Harvard University Press.
- Dolowitz, D., D.O. Marsh, F. Neill and D. Richards. 1996. 'Thatcherism and the 3Rs: radicalism, realism and rhetoric', *Parliamentary Affairs*, 39, 455–70.
- Dudley, G. and J. Richardson. 1996. 'Promiscuous and celibate ministerial styles: policy change, policy networks and UK roads policy', *Essex papers in politics and government* No. 107. Colchester: University of Essex.
- Foster, C. and F. Plowden. 1997. *The state under stress*. Buckingham: Open University Press.
- Hall, P. and R. Taylor. 1996. 'Political science and the three institutionalisms', *Political Studies* 44, 936–57.
- Hay, C. 1996. *Restating social and political change*. Buckingham: Open University Press.
- Headey, B. 1974. *British cabinet ministers*. London: Allen and Unwin.
- Hedlo, H. and A. Wildavsky. 1974. *The private government of public money*. London: Macmillan.
- Hennessy, P. 1989. *Whitehall*. London: Fontana.
- James, S. 1992. *British cabinet government*. London: Routledge.
- Jenkins, R. 1959. *The Labour case*. Harmondsworth: Penguin.
- 1991. *A life at the centre*. London: Macmillan.
- Jessop, B., K. Bonnett, S. Bromley and T. Ling. 1988. *Thatcherism: a tale of two nations*. Cambridge: Polity.
- 1990. *State theory; putting the capitalist state in place*. Cambridge: Polity.
- Kandiah, M. and A. Seldon. 1996. *Ideas and think tanks in contemporary Britain, Volumes 1 & 2*. London: Frank Cass.
- Lawson, N. 1992. *The view from No 11: memoirs of a Tory radical*. London: Bantam Press.
- Ludlam, S. and M.J. Smith. 1996. *Contemporary British Conservatism*. London: Macmillan.
- March, J. and J. Olsen. 1984. 'The new institutionalism: organizational factors in political life', *American Political Science Review* 78, 734–49.
- Marsh, D. and R.A.W. Rhodes (eds.) 1992. *Implementing Thatcherite policies audit of an era*. Buckingham: Open University Press.
- Marsh, D., D. Richards and M.J. Smith. 2000. *The changing role of central government departments*. London: Macmillan.

- Marr, A 1995 *Ruling Britannia: the failure of British democracy*. Harmondsworth. Penguin.
- Mather, G. 1994. 'The market, accountability and the civil service'. Paper presented at Public Administration Committee conference, University of York, 5-7 Sept. 1994.
- Norton, P 1998. *The new barons: senior ministers in British government*. Paper presented at Birkbeck College-ESRC-Civil Service, Public Service Seminar, British Academy, London, 10 July.
- Richards, D. 1996 'Elite interviewing: approaches and pitfalls', *Politics* 16, 3, 199-204.
- 1997. *The civil service under the Conservatives 1979-97: Whitehall's political poodles?* Brighton: Sussex Academic Press
- Richards, D. and M.J. Smith 1997 'How departments change: windows of opportunity and critical junctures in three departments', *Public policy and administration* 12, 2.
- 1998 'The gatekeepers of the common good - power and the public service ethos' in: A. Hondeghem (ed.), *Ethics and accountability in a context of governance and new public management*. Amsterdam. IOS Press
- Rhodes, R A W 1998, *Understanding governance*. Milton Keynes: Open University Press
- 1992 'Local government finance' in D. Marsh, and R A.W. Rhodes (eds), *Implementing Thatcherite policies: audit of an era*. Buckingham: Open University Press.
- Rose, R. 1987. *Ministers and ministries: a functional analysis*. Oxford. Clarendon Press
- Smith, M.J. 1999. *The core executive in Britain*. London. Macmillan
- Smith, M.J., D. Marsh and D. Richards. 1995 'Central government departments and the policy process' in R A W Rhodes and P. Dunleavy (eds), *Prime Ministers, Cabinet and core executive*. London. Macmillan
- Walker, P 1991 *Staying power*. London. Bloomsbury
- Weir, S. and D. Beetham. 1999. *Political power and democratic control in Britain*. London. Routledge.
- Whitelaw, W. 1989. *The Whitelaw memoirs*. London. Aurum
- Young, D 1990 *The enterprise years: a businessman in the Cabinet*. London. Headline.

Date received 7 December 1998. Date accepted 6 September 1999.

REGULATION INSIDE GOVERNMENT: PUBLIC INTEREST JUSTIFICATIONS AND REGULATORY FAILURES

OLIVER JAMES

Regulation is normally thought of as government regulation of the private sector, particularly business. However, there is a developing literature on regulation *inside* government, exploring the ways in which government regulates itself through a range of bodies which set standards for public sector organizations, monitor them and seek to bring about compliance with those standards. Reading across economic theories of business regulation to regulation inside government, this article suggests that the current wave of reform inside the UK public sector implicitly reflects a public interest view of regulation. However, the analogous public interest justification for the regulation of business has been heavily criticized and regulatory failures have been suggested including regulation in the interest of regulated bodies, regulation in the interest of regulators and the high costs of operating regulatory systems.

The term 'regulation' is sometimes used in a broad sense to denote governing, the ways in which public purposes are decided on and implemented. However 'regulation' has taken on a more specific meaning as achieving public goals using rules or standards of behaviour backed up by the sanctions or rewards of the state. In this sense, regulation is normally thought of in terms of government regulation of the private sector, particularly business (for example see Wilson 1980; Hancher and Moran 1989; Noll 1989; Foster 1992; Majone 1994; Ogus 1994; Doern and Wilks 1998). But there is a developing literature on regulation *inside* government, exploring the ways government regulates itself through a range of bodies which set standards for public sector organizations, monitors them and seeks to bring about compliance with those standards (Hood and Scott 1996; Hood and James 1997; Hood *et al.* 1998, 1999; Hood, James and Scott 2000).

Regulation inside government is a sizeable industry in the UK which has been growing over the past twenty years. By the mid-1990s there were 135 regulatory bodies costing about £770m to run each year (Hood *et al.* 1999, p. 23). The current wave of reforms proposed by the UK government further adds to this population. There are new 'regulatory' initiatives to achieve 'Best Value' in local government, and to raise 'standards', improve 'quality' and stamp out 'failure' across the public sector (Blair 1998; DETR

Oliver James is a Lecturer in the Department of Politics at the University of Exeter

Public Administration Vol. 78 No. 2, 2000 (327-343)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

1998; DoH 1998a and 1998b; Cabinet Office 1999). These reforms seem implicitly to reflect a public interest view of regulation, seeing it as a means to mitigate government failures and improve public welfare. However, the analogous public interest justification for the regulation of business has been heavily criticized. These critiques suggest that far from always furthering the public interest, regulation will itself often suffer from failures.

I REGULATION INSIDE GOVERNMENT

There are three features to regulation inside government. Firstly, the regulator has a degree of authority over regulated bodies and sets standards for them. Standards can relate to resource inputs, procedures, outputs or outcomes and can reflect a range of aims including, economy, efficiency, effectiveness, quality, and equality. Secondly, the regulator monitors performance and uses persuasion or direction of regulated bodies to change their behaviour. Thirdly, there is organizational separation of regulator and regulated bodies, so regulation is distinct from internal management within an organization (Hood *et al.* 1998; 1999). In the UK regulators include auditors (for example the National Audit Office and Audit Commission), inspectorates (for example OFSTED), ombudsmen (for example the Parliamentary Commissioner for Administration), and general overseers (for example some central government departments overseeing agencies and local government).

Regulation is related to the better known concept of accountability, conventionally defined as an obligation for a person or organization to justify actions to another body in terms of some authorization for the activity given by that body. Accountability involves several elements, namely, the assignment of duties or purposes, an obligation to answer for them, surveillance of performance and some reward or sanctioning for performance or non-performance (Thomas 1998, pp. 351–3). Both regulation and accountability involve the exercise of authority. But regulation focuses on authority relationships where an organization controls another at ‘arm’s length’ rather than internal management accountability and places particular emphasis on the role of standards or ‘rule-like’ structures in mediating these relationships. The UK literature on accountability has traditionally been concerned with accountability to elected officials and the public. Ministerial accountability in central government has been a key focus of research (see Dowding 1995 for an account of these debates). In contrast, regulation inside government explores the ways bureaucrats oversee other bureaucrats.

The current reforms being undertaken by UK government are increasing the population of regulators and are broadening the scope of regulatory activity (Hood, James and Scott 2000). Two themes of the 1999 *Modernising Government* White Paper are to compare public bodies’ performance against standards and to promote ‘quality’ systems in the public sector (Cabinet Office 1999). As part of his ‘vision’ for local government, Prime Minister

Blair has argued that local authorities need to participate in 'Best Value' – a framework of standards for quality and efficiency with central monitoring of systems and, in extreme cases, intervention and sanctioning where performance is seen as unacceptable (Blair 1998, pp. 19–20). A Best Value Inspectorate within the Audit Commission will oversee regular inspection of all local services to check on performance, expanding inspection to cover services including libraries, housing, planning and transport (DETR 1998). A new inspectorate-like body has been set up for health; the Commission for Health Improvement will support and oversee the quality of clinical governance and clinical services through a system of checks on local systems, offering support and taking action against poor performers. A new National Institute of Clinical Excellence promotes clinical standards and cost-effectiveness (DoH 1998a). Commissions for Care Standards are proposed to regulate care services including nursing and children's homes (DoH 1998b). In central government and beyond, public service agreements set out targets for policy initiatives (Cabinet Office 1999).

So far, research on regulation has concentrated on defining concepts, mapping changes in the UK over the past twenty years and exploring the operation of regulatory systems in different policy sectors (Hood and Scott 1996; Hood and James 1997; Hood *et al.* 1999). We are at an early stage in developing theories to explain why regulation develops and to evaluate the costs and benefits of the activity, especially compared to the much better developed literature on regulation of the private sector. One way of remedying this lack of theory is to read-across the numerous economic theories of governmental regulation of business. This approach seems sensible for several reasons. Economic theories are based on the assumptions of methodological individualism and instrumental rationality, and enable a range of questions about regulation to be tackled using the same general approach. Regulation inside government involves the use of public authority to set, monitor and enforce standards and in this respect is not fundamentally different from the regulation of business. The main difference is that 'government' bodies are publicly owned and receive public funding. Following convention, public ownership is defined as a political oversight body's claim over, or responsibility for, the financial or other residuals of an organization (in contrast to private ownership where owner-managers or shareholders claim this residual). Public funding consists of tax financed grants (rather than private payments by individuals in a market). The forms may be 'mixed' – with bodies having both public and private elements, for example a privately owned charity funded by government grants. The theories of business regulation need to be adapted to fit these 'public' contexts.

II REGULATION IN THE 'PUBLIC INTEREST'?

The official explanation for the regulatory initiatives in UK Government seems implicitly to reflect a public interest justification for regulation inside

government, analogous to the better known public interest theory of the regulation of business in conventional welfare economics. The public interest is a slippery concept but this theory defines it as the interests of individuals, promoted by free markets in which there is voluntary exchange of goods and services with no market distortions, rather than the interests of privileged groups. Regulation is explained as efforts to correct distortions or 'market failures' which prevent markets from operating in the public interest and is seen as a desirable activity in these circumstances (Breyer 1982; Noll 1989; Ogus 1994). There are several market failures. Firstly, externalities are situations where the prices used in exchange by individuals do not reflect general social costs or benefits. Secondly, natural monopoly involves economies of scale limiting the number of firms that can operate in a market restricting competition and allowing monopolists to force up prices and limit output. Thirdly, informational problems include cases where consumers and producers do not have information about each other or the product or service being exchanged. Legislators and regulators are seen as essentially benevolent, designing and operating regulatory systems to correct these failures and bringing about improvements to general well-being. Regulatory initiatives include attempts to control prices and stop monopolists exploiting their position, placing restrictions on behaviour leading to externalities, and requirements to make information about product quality or alternative producers available to consumers (See Breyer 1982; Noll 1989 or Ogus 1994 for a more extensive discussion).

Reading-across to the public sector, where there is public ownership and funding and conventional markets do not operate, the public interest must be redefined. It can be translated as the interests of individual taxpayers and, broadly defined, users of public services as opposed to the sectional interests of narrow interest groups who are able to exploit a privileged position for their own benefit. The UK government's justifications for the reforms are fragmented and do not amount to an overarching, theoretically informed, rationale. However, government statements seem to reflect public interest aims. Prime Minister Blair argues that 'Best Value' is a demanding framework, helping councils 'to be efficient and to make sure that residents receive quality services', and are part of a project to produce 'modern' government for the British people (Blair 1998, pp. 1-3). Similarly, the government argues that the Commission for Health Improvement will oversee the quality of health care and contribute to a 'one nation' health service (DoH 1998a, ch. 7). The public interest justification for regulation inside government developed here spells out more comprehensively how regulation might be expected to further public welfare.

The public sector analogy to 'market failure' is the idea of government failure. Government failure occurs where co-ordination and control mechanisms end up favouring narrow privileged groups rather than the users of public services and taxpayers. The focus here is on supply side failures to do with the delivery of public policy rather than demand side failures,

such as those associated with voting systems used to decide on what should be produced. Adapting a framework devised by Hood (1996), there are three main alternatives to regulation which commonly appear in different guises in discussions about how to control and co-ordinate the delivery of public services. Firstly, self-control in which public bodies act alone or in a peer group with freedom from external oversight (for example professionals in education, social services and medicine who play a part in designing standards of conduct in these areas). Secondly, using the forces of competition in quasi-markets to structure behaviour and resource allocation (for example competition between providers of services for funding from purchasing authorities as previously used in the health sector). Thirdly, direct management involving hierarchical control of subordinates within an integrated organization with common staff and procedures (for example a traditional central government department with a tiered managerial structure). In some circumstances these forms will fail and regulation will improve public welfare.

A public interest account of regulation inside government might appear paradoxical, because if legislators and regulators designing regulatory systems are attempting to further the public interest then all public officials might be expected to do the same. But even under these circumstances co-ordination problems might require regulation, for example where one body is ignorant of the effects of its actions on other bodies. But the public interest account also views self-interested behaviour by public officials 'down the line' as a cause of government failure, even if regulatory bureaucrats are largely assumed to be above such behaviour. Public sector externalities arise where control and performance appraisal systems fail to reflect the wider effects of a public organization's activities on the goals of other organizations. Thus, a school might exclude difficult students from classes to boost exam performance but this practice could have a detrimental effect on local crime rates, a problem which is handled by other bodies including the police and local authorities. Other failures arise where bureaucrats can exploit their monopoly position as providers of a service or where bureaucratic 'agents' can exploit 'principals' because they have an informational advantage about the activity they are performing. The consequences of these failures include goal displacement where the aims of a public body are altered by those running it, under or oversupply of public services where too much or too little is produced, wasteful production where services are produced at a cost in excess of what could be achieved, and difficulties in ensuring the quality of public services (Wolf 1979; Vining and Weimer 1990).

In the public interest account, each of the control forms is prone to different government failures, leading to a need for regulation. Self-control is the least suitable form for dealing with self-interested behaviour when these interests clash with the broader interests of taxpayers or service users. Both self-control and quasi-market controls have difficulties in dealing with

externalities, the incentive in these systems is for organizations to pursue their own goals regardless of the impact on others. Quasi-market control can help encourage competition which makes 'agents' more keen to please their 'principals' and can give the 'principal' more information about the potential performance of 'agents', if the quasi-market does not suffer from monopoly provision and information problems. Hierarchy is the most successful way to deal with externalities, by internalizing them within a single organization, allowing goals to be harmonized and encouraging information sharing, and can allow closer monitoring of agents. However hierarchy imposes costs of its own through reduced flexibility, so that those located in its lower echelons typically have to refer decisions up the line rather than acting on their own initiative.

Regulation can help mitigate these failures. It can improve the treatment of externalities by regulators introducing rules to encourage organizations to take account of their activities on other bodies and through regulators spreading information about the effects of different bodies' actions on other parts of the public sector. Monitoring by regulators helps penetrate information asymmetry and expose fraudulent and wasteful behaviour by external verification of costs and performance. Regulators can uncover 'cost padding', evaluate the quality of services and suggest the budgets which should be given to public bodies. These features mean that regulation is most likely to be beneficial, and is most likely to be observed, in certain situations: firstly, where externalities make self-control and quasi-markets undesirable and the reduced flexibility caused by integrating agencies into a single hierarchy is unacceptable; secondly, where self-interested officials are able to exploit informational advantages and monopoly positions, making self-control inappropriate and preventing quasi-markets from operating effectively. If hierarchy is undesirable because of the associated inflexibility, then regulation is the preferable form of control. Regulation can also be used in combination with other types of controls to form hybrids. Regulation can be combined with self-control, with a regulator fostering professional norms by encouraging peer group review (for example the NHS Executive's encouragement of clinical audit). Regulation and quasi-markets in combination involve the regulator structuring and managing the market, controlling entry and exit, and providing independent information to consumers (for example the provision of information to parents through school league tables). Regulation combined with hierarchy entails the regulator providing information and assistance to facilitate direct management control either by the regulator itself or other bodies (for example providing information to enable 'hit squads' to be sent in to run local public services).

The UK government seems to be motivated by some of these considerations in arguing for more regulation. For example, it is seeking to improve the treatment of 'cross cutting' issues where a public policy problem cuts across traditional organizational boundaries, and in so doing implicitly recognizes the problem of externalities. Their solution is more 'soft' forms

of regulation, where the emphasis is on mutually agreed standards, advice giving and spreading best practice. This policy is evident in the areas of social exclusion, women's issues and criminal justice, with units or groups to co-ordinate action and efforts to align incentive and accountability systems to promote joint working (Cabinet Office 1999, pp. 17–18). The problems of ensuring efficiency and service quality in parts of the public sector which are subject to limited competition and where the quality of services is not easily observable have been given as reasons behind the more formal systems of standard setting and sanctioning in local government and health care (Hood, James, Scott 2000).

III REGULATORY FAILURES

There are good reasons to question the public interest account of regulation inside government because the analogous account of the regulation of business has been strongly attacked. Alternative economic models suggest that business regulation, far from being a solution to 'market failures', has failures of its own. The three main types of regulatory failure are summarized in table 1 below. The first two failures suggest that the benefits of regulation do not accrue to service users and taxpayers, but to regulators or regulated

TABLE 1 *Regulatory failures suggested by theories of business regulation*

Regulatory failure	Theories
Regulation captured by regulated bodies	<ol style="list-style-type: none"> (1) Simple capture model in which regulated bodies lobby for regulation from which they benefit (Stigler 1971). (2) Modified capture models under conditions of electoral incentives to create regulatory rents (Peltzman 1989). (3) The later stages of the regulatory life cycle model once the initial drive for regulation has subsided and regulation becomes increasingly owned by regulated groups (Bernstein 1955). (4) Simple principal-agent model focusing on the difficulties a regulator 'principal' faces trying to influence a bureaucrat 'agent'.
Regulation in the interests of regulators	<ol style="list-style-type: none"> (1) More complex principal-agent models acknowledging the principal-agent relationship between politicians and regulators as well as between regulators and regulated with the associated danger of regulated bodies inducing lax enforcement from regulators by giving them benefits (Laffont and Tirole 1993). (2) Regulatory state explanation of regulatory growth in terms of the benefits for bureaucrats involved in devising new regulations (Majone 1994).
Costly regulation	<ol style="list-style-type: none"> (1) Strategic enforcement model with 'costly' lack of co-operation between regulators and regulated bodies (Scholz 1991). (2) Transaction cost accounts stressing the cost of institutional arrangements, some versions also suggest that concentrated interest groups are likely to dominate regulation (Horn 1995).

bodies instead. The third failure suggests that regulation is a costly enterprise even if attempts are made to pursue the public interest. Resources will tend to be consumed in 'cat and mouse' games between regulator and regulated bodies and will be taken up by institutional structures designed to try and prevent regulation reflecting narrow sectional interests. The failures are not fully mutually exclusive; in particular, principal-agent theories point to benefits for both regulators and regulated bodies from collusion against the public interest.

Regulation in the interests of the regulated

Regulatory 'capture' theory suggests that the interests of the regulated bodies cause regulation to develop and grow (Stigler 1971). Business groups will lobby for regulation to shut potential new entrants out of their market and enable them to raise prices. Rational vote-seeking politicians 'sell' regulatory policy to the highest political bidder in terms of votes and money, particularly campaign contributions. The winning bidders will tend to be the most concentrated lobbyists which will tend to be business, at the expense of more diffuse and less organized interests, which will tend to be consumers. Regulators, who themselves benefit from expanding activity, use the state's regulatory power to transfer available wealth from less organized to more organized groups.

The most straightforward read-across is that demand for regulation inside government will typically come from incumbent producers supplying public services. Focusing on individuals working in publicly owned bodies, the key maximand must be altered from profit-making to other motives because bureaucrats do not own the residual generated by their activities. There are several motivations conventionally used in the economic or rational choice literature on bureaucracy. These include budget/output maximization where a bureau tries to produce as much of the good it delivers as possible (Niskanen 1971); 'slack' or inefficiency maximization where budgets are pushed up and output down to maximize the resources available for pursuing bureaucrats' own goals rather than those they have been set by their political masters (Niskanen 1975); 'bureau-shaping' work-related benefits where officials seek to do 'interesting' work rather than routine, day-to-day, activities (Dunleavy 1991) or a combination of budget/output maximizing and 'bureau-shaping' (James 1995). In a similar way to regulation of the private sector, regulators can limit entry to the production of public services, protecting the monopoly position of bureaucrats against potential competitors. Additionally, instead of regulating prices paid by consumers in decentralized markets, regulators recommend a budget level based on their assessment of the cost of providing services. Thus audit bodies and inspectorates evaluate the value for money of public organizations and this information is fed to funding bodies. These processes give public officials an incentive to lobby regulators for favourable regulation. In the capture theory the mechanism for influence is the electoral

process. Regulation is auctioned by politicians in exchange for votes or vote-fungible items from bureaucrats. This argument resembles theories which suggest that bureaucrats will vote for parties which expand the size of the public sector, contributing to government growth (Blais and Dion 1991). Where the electoral strength of bureaucrats is greater than general taxpayers, who ultimately pay most of the costs of regulation, regulation favourable to bureaucrats will emerge. Regulation can be expected regardless of whether there are public interest reasons for its existence, and will be excessive.

In a more flexible version of the 'capture' idea, Peltzman (1989) suggests that capture is not a forgone conclusion but is contingent, depending on what happens to the available 'rent' from regulation and the configuration of coalitions around it. Regulation grows only when politicians believe that there are further electoral payoffs from transferring more 'rents' to regulatory beneficiaries at the cost of those who have to pay, such as winning producers' votes by loading more pro-producer regulatory costs on consumers and as a consequence compulsorily transferring wealth from consumers to producers. But regulation can just as easily move in the opposite direction if these conditions do not apply. If 'rents' from regulation become depleted over time then regulation may decline – for example through incentives for those who produce the surpluses (confiscated by the regulatory regime for distribution to politically favoured groups) to dissipate those surpluses (Peltzman 1989). In terms of regulation inside government, if the most concentrated and resource-rich interests are inside the public bureaucracy, regulation inside government can be expected to close off public sector markets to new producers. However there may be increasing opposition from taxpayers and potential rival private sector providers which may periodically lead to deregulation.

These models resemble an earlier, 'life cycle' theory of regulation which is not a fully economic model but has elements of individual instrumental behaviour by actors. Bernstein's (1955) model conceives regulation as a response to disaster, where a scandal or catastrophe will override 'normal' political patterns, open a policy 'window' and put a regulatory issue on the agenda. The implication is that 'rent-seeking' alone may be a necessary, but is not a sufficient, condition for regulation. Some external spark changing public or legislator consciousness is needed to touch off the process. Bernstein argued that as the original crisis or scandal which prompted regulation receded in time, the nature of regulation tended to change. As political support for regulators tends to recede, the agency's backing for placing demands on its regulatory clients is weakened. At the same time, ambitious or committed individuals who were attracted to the regulatory unit in the early days of high political saliency will tend to become disillusioned or move on to new areas of top political priority. So that the agency's staff become proportionately less committed to its substantive goals and more willing to make compromises to save their jobs. In such conditions, accord-

ing to Bernstein, regulation would tend increasingly to be 'owned' by regulated bodies rather than by more general or latent stakeholders, resulting in a form of capture.

The public interest account assumes that politician 'principals' control public service providers who are their 'agents' and use regulators to try and get the 'agents' to act in their interests. Regulators help politicians by monitoring the cost of provision, ensuring that bureaucrats involved in production are not using budgets inefficiently, and assessing the quality of services. However, principal-agent models suggests that regulators will always be restricted in the extent to which they can get regulated bodies to do everything they would like them to; the potential of these models for examining the UK education and health sectors has been noted (Barrow 1996). The 'simple' principal-agent model focuses on the relationship between regulators and regulated bodies. It suggests that the regulator must secure a trade-off between achieving the aims of gaining public services at the lowest possible cost and leaving public providers of service with the lowest possible surplus (of budget in excess of that needed to provide a given level of service). This trade-off occurs because the regulator does not know a provider's true level of costs and providers need the incentive of a potential surplus of funding above true cost to motivate them to reduce costs. In the private sector the surplus is profit which acts as an incentive. In public bureaucracies, surpluses are an incentive because they provide officials with funds which can be spent in a discretionary manner (rather than being used to achieve mandated goals), providing a cushion against uncertainty and funds for pet projects. If the regulator suggests that a regulated body receive a fixed budget estimated at the likely cost of running a service, then there is an incentive for the provider to produce at the lowest possible cost to try and maximize its surplus. If the provider is successful then costs will have been driven down but the provider will be left with a surplus. On the other hand, if the regulator sets a budget level related to whatever costs the provider incurs then the provider will not be left with a surplus but there is little incentive for the provider to produce at the lowest possible cost.

Regulation in the interests of the regulators

A more complex principal-agent model incorporates a chain of principal-agent relationships between voters and politicians, politicians and regulators and regulators and regulated bodies and includes multiple principals and agents in each part of the chain. The principal-agent relationship between politicians and regulators can be exploited for the benefit of regulators and regulated bodies. Laffont and Tirole (1993) present a principal-agent model along these lines consisting of a legislature trying to regulate a firm which has an informational advantage about its costs. The legislature employs a regulatory agent to find out more information about the firm's costs.

Reading-across to regulation inside government, the model can be translated as a legislature trying to regulate an inefficiency or budget/output maximizing bureaucracy using a public audit office or an inspectorate to find out about the costs of production. The outcomes for budget levels and outputs depend, among other things, on whether the regulated body can induce the regulatory agent not to pass on information to the legislature about the true level of costs. The level of inducement depends on the distribution of benefits (concentrated benefits will encourage collective action by bureaucrats and high inducement), and the 'ethics' environment which affects the cost of inducement. A highly 'ethical' environment makes direct bribes and inducements difficult and raises the costs of influence, which has to be conducted by other means. Laffont and Tirole do not specify the inducements for regulators in much detail, but possible sources of inducement have been suggested in other accounts. For example, a model of the 'revolving door' of staff moving between regulators and regulated private sector bodies suggests that the prospect of attractive jobs working in regulated bodies will encourage lax enforcement (Makkai and Braithwaite 1995).

An alternative model pointing to ways in which regulators benefit from regulatory developments is Majone's (1994) account of the rise of the regulatory state in Europe. The model is not a fully economic one, but has elements of this approach. Majone seeks to explain the increase in the scope and complexity of EU regulation, in spite of the apparent preference for simplicity in the Treaty of Rome. He argues that the regulatory state has grown within the EU bureaucracy because it is the only available channel for ambitious Eurocrats seeking to build their careers. Tight restraints on policies involving the direct expenditure of public funds, given that the funds available are pre-empted by CAP and a few other programmes, means expansion of regulatory activities is the only effective way for the EU Commission to increase its role.

In regulation inside government, if the scope for new spending initiatives is under attack, new regulatory developments may be a suitable vehicle for the ambition of bureaucrats and policy entrepreneurs. The 'bureau-shaping' model (Dunleavy 1991) suggests that when top bureaucrats come under budgetary pressure from politicians, they will aim to reshape and reorganize the bureaucracy into a different form that makes their own jobs more pleasant and satisfying, distancing top bureaucrats from tedious routine. Combining the Majone insight with bureau-shaping motivations, new regulatory initiatives might be seen as a strategy for individual officials seeking to make a name for themselves by introducing a new policy. Regulatory initiatives are also a collective strategy for officials seeking to reorder their work by replacing day-to-day, hands-on management with more attractive regulatory work using strategic control and selective intervention. High-level, policy-oriented central government bureaucrats are a closely knit group who are more able to overcome collective action problems than many other groups in the public sector and pursue these sorts of strategies (James

1995). They may also be able to push the costs of regulation, such as the substantial costs for regulated bodies incurred in complying with standards, to more diffuse bureaucratic groups further down the line or in operational, local or regional sectors.

Costly regulation

Even in systems where regulators and regulated bodies do not greatly benefit at the expense of wider interests, pursuing public interest goals uses up resources in the cost of running regulatory systems. Scholz (1991) models enforcement and compliance between a regulator and regulated firm as a 'Prisoner's Dilemma' game. He suggests that the relationship between regulator and regulated body will either take the form of a 'deterrence' equilibrium (in which the regulator adopts a harsh enforcement policy and the regulated bodies a minimal compliance policy) or a 'voluntary compliance' equilibrium (in which the regulator adopts a flexible enforcement policy and the regulated body a flexible compliance policy). He argues that regulated bodies will find it in their own individual interests to operate with a minimal compliance strategy regardless of whether regulators are harsh or lenient, because they try to save resources and pursue their own aims. Regulators will prefer to operate with harsh enforcement policy regardless of whether regulated bodies undertake either minimal compliance or flexible strategies because they try to achieve their aim of enforcing regulation. However, the regulatory outcome is determined by the actions of both parties. The result is the uncooperative 'deterrence' equilibrium with minimal compliance and harsh enforcement, even though both groups would be better off in the 'voluntary compliance' equilibrium. Under some conditions of repeated 'plays' of the game, the regulator and regulated body may be able to agree 'voluntary compliance' strategies, although there will be a temptation for both players to 'defect' to their individually preferred strategies.

Transaction cost theory similarly focuses attention on the costs of running the regulatory system. The theory develops from the recognition that neo-classical economic theory ignores the costs which arise from impediments to reaching and enforcing agreements in markets. Transaction costs arise because of bounded rationality and opportunism in a world where uncertainty prevents everything being written down in advance. Bounded rationality is individuals' limited ability to realize their intentions; people are hampered by their limited knowledge, foresight, skill and time. Opportunism is transactors' willingness to attempt to obtain a more favourable distribution of the gains from trade by renegeing on agreements or in some way exploiting trading partners. Opportunism can involve behaviour within agreements, so called 'moral hazard' such as shirking or alternatively trying to get favourable terms for the agreement in the first place (see Milgrom and Roberts 1992, ch. 2 for a more extensive discussion). Reading-across to regulation inside government, these problems are used as justifications for

regulation in the public interest account, for example where opportunism and monopoly provision make self-control ineffective. However, the transaction cost perspective emphasizes the costs of running the regulatory system itself, for example in setting up monitoring systems to prevent regulators from pursuing their own interests where these diverge from broader interests.

The transaction cost perspective has been synthesized with an interest group model by Horn (1995) to explain institutional choice in government regulation of business. Horn's model concentrates on the extent to which politicians allow a regulatory body to make its own decisions and act independently of political control once it has been set up. The result is a model that not only emphasizes the cost of organizing regulatory systems but also suggests that the interests of regulators and regulated bodies may come to dominate these systems. The key relationship in Horn's analysis is voters' or constituents' transaction or 'exchange' with the 'enacting legislature' which sets up the regulatory system. The model resembles Peltzman's model of interest groups lobbying for regulation because constituents vote for forms of regulation from which they benefit, but it adds an extra dimension by including transaction costs. Some of these costs arise because the promises made by an enacting legislature may lack credibility; a new legislature may be elected in a future period and overturn the enacting legislature's regulatory policy. The enacting legislature must be able to commit itself to provide continuing benefits to the constituents after the law establishing the regulatory system has been enacted. This sets up transaction costs because apparently inefficient (in terms of production or other costs) organizational structures may be needed to protect these benefits against being overturned (Horn 1995, ch. 2). In particular, regulatory and other agencies may be given autonomy to pursue their missions without interference from politicians to give credibility to promises made by the enacting legislature about the continuation of the policy. This autonomy means that even if a new legislature was elected with different regulatory policy preferences it would find it difficult to overturn the original enacting legislature's policy, at least for some period. Offsetting the benefits from autonomy are 'agency problems', where the regulator pursues its own agenda rather than that of the enacting legislature. The trade-off between 'commitment' and 'agency' problems is the key determinant of the institutional structure of regulation. The outcome of Horn's model for regulation inside government depends in part on the lobbying power of different groups of constituents. The need to delegate some autonomy to regulators because of the commitment problem means that regulation in the interests of the regulator is a likely outcome and if regulated groups can mobilize their interests and provide inducements to regulators then regulatory capture is also likely. Structures to prevent these outcomes themselves use up resources and contribute to the costs of running the regulatory system.

CONCLUSION

There are good reasons to question the UK government's apparent faith in a public interest justification for regulation inside government. An analogous justification has been heavily criticized in the economic literature on the regulation of business. Alternatives to the public interest theory suggest three types of regulatory failure, which are not fully mutually exclusive. Firstly, regulation may reflect the interests of regulated bodies. Secondly, regulators' interests may dominate regulatory systems. Thirdly, there are high costs in operating regulatory systems even when they are primarily geared to promoting the public interest.

However, the public interest and regulatory failure perspectives are not completely inconsistent. In an attempt to understand the limits to the regulation of business, Becker (1983) modified Peltzman's interest group lobbying model to incorporate elements of the public interest model. Becker's model suggests that the regulatory policies which arise from interest group behaviour are limited by the dead-weight losses they bring about. These losses are not simply transfers to regulated groups from other people but pure losses. For example, in terms of regulation inside government, regulation sometimes limits the provision of services to publicly approved suppliers. This restriction may cause underproduction of a service and lost benefits from units of production which would have been produced in the absence of regulation. User groups may lobby for regulation to be relaxed and production expanded. By this reasoning, regulation is likely to be less extensive than the Stigler and Peltzman models suggest.

The relative practical importance of the different theories is a matter for empirical investigation, which is part of a developing research agenda (see for example Hood *et al.* 1999; Hood, James, Scott 2000; Cope and Goodship 1999). Research on UK central government suggests that the regulatory forms used to control agencies at 'arm's-length' from departments, especially performance targets, have contributed to performance problems in some types of agency (James 2000). Taking the largest agency, the Benefits Agency, as an example, the Agency performed well on a crude efficiency measure of cost per unit of workload, but had serious shortcomings in broader efficiency and effectiveness. These problems included substantial inaccuracy in payments amounting to on average £1,500m of a budget of £80,000m per year. There were further difficulties in joint working with local authorities who relied on information supplied by the Agency to administer Housing Benefit. This information was often difficult to obtain, inaccurate or was provided only after a delay. The regulatory regime seems to have contributed to these problems. Until the late 1990s, performance targets focused the Agency's attention on benefit clearance times rather than accuracy and were narrowly focused on the Agency's own performance rather than externality effects on local authorities. These problems led to a major re-organization of welfare delivery which is currently in

progress. In terms of the public interest account, at best, this experience suggests a well meaning but flawed attempt at regulation. But the case seems more consistent with the bureau-shaping model outlined in section III. The creation of the Agency enabled officials in the department to control the activity at arm's length through the regulatory regime and concentrate on policy work rather than getting directly involved in day-to-day, hands-on, management issues which might have been a more suitable approach.

Reading-across economic theories of business regulation suggests possible reforms to regulation inside government. These reforms are of two types: firstly to strengthen the alternatives to regulation discussed in section II, and secondly to make regulation itself more effective. An alternative to regulation is to try to make self-control in the public sector work more effectively. Internalizing externalities through the clear allocation of property rights was suggested by Coase (1960). He argued that, if bargaining is costless, those suffering the effects of an externality could band together to try and bribe the people causing the externality to change their behaviour. Thus, people living near a factory which pollutes their air could offer to pay the factory to use an alternative non-polluting production technique. The allocation of the property rights determines who compensates whom; in this case local residents do not have the right to clean air and must pay the factory. This solution can be read-across to the hypothetical public sector externality discussed in section II. In this example, a school excludes disruptive students in an effort to improve the education of other students and raise exam results. One result is that excluded students commit crime outside the school which is the responsibility of other bodies including the police and local authorities. Using the Coase solution, the school could be bribed by a transfer of budget from the police and local authorities to set up extra classes to provide lessons for the disruptive students without harming the education of others and removing the externality. Another alternative to regulation commonly suggested in the literature on the regulation of business is to encourage more competition (Breyer 1982). According to these arguments, breaking up public sector monopolies and introducing competition with the private sector or competition between different public sector provider units reduces the need for regulation.

A second type of reform focuses on making regulation work more effectively. One way is to use regulation in combination with other control types so that, for instance, competition between regulated bodies can be used by regulators to gain more information about their behaviour. League tables for local authority performance collated by the Audit Commission are an example of structures which stop short of full contestation of provision but enable regulators to see the scope for potential improvements by playing off similar bodies against each other. Competition between regulators is another alternative (Hood *et al.* 1999, pp. 215–219). Regulators' budgets could be devolved to regulated bodies and these bodies allowed to choose their regulators and pay a fee to them, subject to minimum standards being

met. Then competitive pressures might be expected to bring down regulators' costs as they attempt to reduce the fees charged to regulated bodies.

ACKNOWLEDGEMENT

The author would like to thank Andrew Hindmoor, Martin Lodge and Stephen Wilks for comments on earlier versions of this article. In particular he would like to thank Christopher Hood, Colin Scott, George Jones and Tony Travers with whom he worked on the ESRC Whitehall Programme 'Bureaucratic Gamekeeping' project (Grant Number L124251015) as part of which the idea of reading-across theories of private sector regulation to regulation inside government was developed.

REFERENCES

- Barrow, M 1996 'Public services and the theory of regulation', *Policy and Politics* 24, 3, 263–76.
- Becker, G 1983. 'A theory of competition among pressure groups for political influence', *Quarterly Journal of Economics* 98, 371–400
- Bernstein, M. H. 1955 *Regulating business by independent commission*, Princeton, NJ. Princeton University Press
- Blair, T. 1998 *Leading the way: a new vision for local government*. London Institute for Public Policy Research.
- Blaiss, A and S Dion (eds) 1991 *The budget maximising bureaucrat: appraisals and evidence*. Pittsburgh University of Pittsburgh Press.
- Breyer, S 1982. *Regulation and its reform*. Cambridge, Mass: Harvard University Press
- Cabinet Office. 1999 *Modernising government* Cm 4310 London. The Stationery Office
- Coase, R 1960. 'The problem of social cost', *Journal of Law and Economics* 3, 1
- Cope, S. and J Goodship. 1999. 'Comparing regulatory regimes in the new governance' Paper presented to Political Studies Association Annual Conference, University of Nottingham, March
- DETR (Department of the Environment Transport and the Regions). 1998 *Modern local government: in touch with the people* London: The Stationery Office
- Department of Health (DoH) 1998a. *The new NHS: modern, dependable* Cm 3807 London The Stationery Office
- 1998b *Modernising social services* Cm 4169 London The Stationery Office
- Doern, G.B. and S. Wilks 1998. *Changing regulatory institutions in Britain and North America*. Toronto University of Toronto Press.
- Dowding, K 1995 *The civil service*. London Routledge
- Dunleavy, P.J 1991 *Democracy, bureaucracy and public choice*. Hemel Hempstead: Harvester Wheatsheaf
- Foster, C.D 1992 *Privatization, Public Ownership and the Regulation of Natural Monopoly*, Oxford Blackwell
- Hancher, L and M. Moran (eds) 1989 *Capitalism, culture and regulation* Oxford Clarendon
- Hood, C. 1996. 'Control over a bureaucracy cultural theory and institutional variety', *Journal of Public Policy* 15, 3, 207–30
- Hood, C and C Scott 1996 'Bureaucratic regulation and the new public management in the UK mirror-image developments?', *Journal of Law and Society* 23, 3, 321–45
- Hood, C and O James 1997. 'The central executive', in I. Holliday *et al.*, *Developments in British Politics* 5. London. Macmillan.
- Hood, C., O James and C. Scott 2000 'Regulation in government. has it increased, is it increasing, should it be diminished?', *Public Administration* 78, 2, 283–304
- Hood, C., O James, G.W Jones, C Scott and T. Travers. 1998. 'Regulation Inside Government: Where the New Public Management Meets the Audit Explosion', *Public Money and Management* 18, 2, 61–8
- Hood, C., C Scott, O James, G.W. Jones and T. Travers. 1999 *Regulation inside government: waste watchers, quality police and sleazebusters* Oxford. Oxford University Press.

- Horn, M. 1995 *The political economy of public administration: institutional choice in the public sector*. Cambridge: Cambridge University Press
- James, O. 1995. 'Explaining the Next Steps in the Department of Social Security: the bureau-shaping model of central state reorganisation', *Political Studies* 43, 4
- 2000 'Reforming regulation inside government: re-regulating UK central government agencies and the regulatory limits to New Public Management' Paper presented to UK Political Studies Association Annual Conference, LSE, April.
- Laffont, J.J. and J. Tirole. 1993. *A theory of incentives and procurement in regulation*. Cambridge, Mass.: MIT Press
- Mayone, G. 1994. 'The rise of the regulatory state in Europe', *West European Politics* 17, 3, 77–101.
- Makkai, T. and J. Braithwaite. 1995. 'In and out of the revolving door: making sense of regulatory capture', *Journal of Public Policy* 12, 61–78.
- Milgrom, P. and J. Roberts. 1992. *Economics, organisation and management*. Englewood Cliffs: Prentice Hall
- Niskanen, W. 1971 *Bureaucracy and representative government*. Chicago: Aldine-Atherton
- 1975 'Bureaucrats and politicians', *Journal of Law and Economics* 18, 4, 617–43
- Noil, R.G. 1989. 'Economic perspectives on the politics of regulation', pp. 1254–87 in R. Schmalensee and R.D. Willig (eds.) *Handbook of industrial organisation*, vol. II Oxford: New Holland
- Ogus, A. 1994 *Regulation*. Oxford: Clarendon Press
- Peltzman, S. 1989. 'The economic theory of regulation after a decade of deregulation', *Brookings Papers on Economic Activity (Microeconomics)* 1–41
- Scholz, J.T. 1991. 'Co-operative regulatory enforcement and the politics of administrative effectiveness', *American Political Science Review* 85, 1, 115–36
- Stigler, G.J. 1971. 'The theory of economic regulation', *Bell Journal of Economics and Management Science* 2, 1, 1–21.
- Thomas, P.G. 1998. 'The changing nature of accountability', pp. 348–93 in B.G. Peters and D.J. Savoie (eds.), *Taking stock: assessing public sector reforms*. London: McGill-Queen's University Press.
- Vining, A.R. and D.L. Weimer. 1990. 'Government supply and government production failure: a framework based on contestability', *Journal of Public Policy* 10, 1, 1–22
- Wilson, J.Q. 1980. *The politics of regulation*. New York: Basic Books.
- Wolf, C. 1979. 'A theory of non-market failure', *Journal of Law and Economics* 22, 1, 107–39.

Date received 19 December 1998. Date accepted 9 July 1999.

Governance

**An International Journal of
Policy and Administration**

Edited by Bert A. Rockman and Jon Pierre

Governance provides a forum for the theoretical and practical discussion of executive politics, public policy, administration, and the organization of the state. Published under the auspices of the International Political Science Association's Research Committee on the Structure and Organization of Government, it emphasizes articles which take an international or comparative approach to public policy and administration. All papers, regardless of empirical focus, should have wider theoretical, comparative, or practical significance.

Governance ISSN. 0952-1895 Volume 13 (2000) contains 4 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk

BLACKWELL
Publishers

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

THE GOVERNANCE NARRATIVE: KEY FINDINGS AND LESSONS FROM THE ESRC'S WHITEHALL PROGRAMME

R.A.W. RHODES

This article provides a personal interpretation of the key findings of the Economic and Social Research Council's Whitehall Programme. I tell the distinctive story of 'governance' – of fragmentation, networks, unintended consequences and diplomacy – challenging the dominant, managerial account of change in British government since 1979. I present a view of the world in which networks rival markets and bureaucracy as ways of allocating resources and co-ordinating policy and its implementation.

INTRODUCTION

This article attempts the impossible – a summary of 23 research projects carried out over five years. So, to state the obvious, I provide a *personal* interpretation of the Economic and Social Research Council's (ESRC) Whitehall Programme's key findings and lessons. I tell the distinctive story of *governance*. This story, with its emphasis on networks, contrasts sharply both with the Westminster model and its story of a strong executive running a unitary state and with new public management (NPM) and its story of the search for efficiency through markets and contracts. I use the Whitehall Programme to provide a language for re-describing the world. With the Local Governance Programme (Rhodes 1999a), the Whitehall Programme

R.A.W. Rhodes was Director of the ESRC Whitehall Programme and is Professor of Politics, University of Newcastle-upon-Tyne. The text is based on the publications of the Whitehall Programme. The article is a 'taster' for the two survey volumes which provide summaries of every project. (R.A.W. Rhodes (ed.). 2000 *Transforming British government. Volume 1 Changing institutions. Volume 2. Changing roles and relationships*. London: Macmillan). I cannot cover every project in one article so the citations are a personal 'best of'. I apologize to those colleagues whose work is not given the prominence I am sure it will command elsewhere. To make some sense of 23 projects, selectivity was unavoidable. I quote from and paraphrase my colleagues' work extensively and refer readers to the appropriate volume and chapter in Rhodes (2000a) which contains a summary of every project with citations. I have not given page references for every quotation to avoid over-burdening the text. I apologize if any colleague thinks I have violated academic conventions but I am sure readers know I report the Programme's work, not just my own. There are a few unattributed quotes in the text which are taken from my interviews with senior civil servants while Programme Director. Finally, I draw on official publications and speeches and lectures by ministers and senior civil servants. I have not cited other relevant literature simply because I seek to show the distinctive contribution of the Whitehall Programme. Finally, I would like to thank Mark Bevir and Janice McMillan for their continuing advice and help and the ESRC and the Cabinet Office for supporting the Whitehall Programme. For further information about the Programme, names and addresses of principal investigators and copies of all Briefings contact the author or visit the Whitehall Programme's web site: <http://www.ncl.ac.uk/~npol/whitehall/index/html>

played a part in challenging the dominant, managerial account of change in the 1980s and 1990s. Both supported a view of the world in which networks rival markets and bureaucracy as governing structures; that is, as ways of allocating resources and co-ordinating policy making and implementation.

I build my story of change over the past two decades around nine aphorisms.

- From government to governance.
- More control over less.
- The hollowing-out of the state.
- The weakness of the core executive.
- The sour laws of unintended consequences.
- The loss of trust.
- It's the mix that matters.
- Diplomacy and hands-off management
- From deconcentration to decentralization.

These aphorisms are not hypotheses or generalizations. They are narrative devices which I use to explain governance theory and to summarize findings. Similarly, I use boxes either to summarize relevant findings from projects on the Whitehall Programme or to illustrate arguments. Both devices help me to cover a lot of ground quickly and I hope clearly.

I have discussed governance theory at length elsewhere (Rhodes 1997a and 2000c) so here I limit myself to a definition. Governance refers to: *self-organizing, interorganizational networks* with the following characteristics.

- (1) Interdependence between organizations. Governance is broader than government, covering non-state actors. Changing the boundaries of the state meant the boundaries between public, private and voluntary sectors became shifting and opaque.
- (2) Continuing interactions between network members, caused by the need to exchange resources and negotiate shared purposes.
- (3) Game-like interactions, rooted in trust and regulated by rules of the game negotiated and agreed by network participants.
- (4) A significant degree of autonomy from the state. Networks are not accountable to the state; they are self-organising. Although the state does not occupy a privileged, sovereign position, it can indirectly and imperfectly steer networks.

I use this notion and the aphorisms to describe the changes in British government and appraise critically the effects of recent reforms.

Finally, I paint a vainglorious picture of the Programme's achievement in challenging the language of the new public management (NPM) and putting governance on the agenda in the guise of joined-up government. The aphorisms address the question, 'what happened?' I also address the

question 'so what?' I try to draw lessons relevant to the continuing search to modernize government from my aphorisms.

CONTEXT

I begin with the obvious – a dictionary definition of the Westminster model:

The characteristics of the Westminster model . . . include: strong cabinet government based on majority rule; the importance attached to constitutional conventions; a two-party system based on single member constituencies; the assumption that minorities can find expression in one of the major parties; the concept of Her Majesty's loyal opposition; and the doctrine of parliamentary supremacy, which takes precedence over popular sovereignty except during elections (Verney 1991, p. 637).

The model has been criticized and adapted and there are several variants (see Bevir and Rhodes 1999). But there is a clear baseline to any discussion of the Westminster model and there are strong family likeness between the several varieties. The family lived happily under the roof of the Whitehall Programme (see box 1).

BOX 1 *Variations on the Westminster Model**

The findings of several projects, for example on cabinet committees and permanent secretaries, provide critical variations on the central beliefs of the Westminster narrative.

Cabinet committees are effective when there is a clear relationship between the committee and the department carrying out the policy; and a clear sense of political direction about the committee's goals (Brady and Catterall, in Rhodes 2000a vol. 1, ch. 9).

The system of cabinet committees does not provide evidence of prime ministerial government but of the frequent failure of Prime Ministers to exercise leadership. The frequent attempts to strengthen co-ordination reflect the weakness of the Prime Minister in performing his or her key duties (Brady and Catterall, in Rhodes 2000a vol. 1, ch. 9).

Permanent secretaries are no longer anonymous 'Mr Fixits' for their minister or the locus of institutional scepticism but the conservators of their department and its public face (Theakston 1999).

Britain does not have prime ministerial or cabinet government but ministerial (or baronial) government (Jones 1998; Norton in Rhodes 2000a vol. 2 ch. 7).

Britain did enjoy an exceptional degree of continuity and order but it contained two contradictions: between the limited role of the state in practice and the lack of constitutional checks on its unlimited theoretical power; and between the popular conception of the state's class neutrality and its partiality when it intervened (Lowe and Rollings, in Rhodes 2000a vol. 1 ch. 6).

* These illustrations are from the projects' summary reports in Rhodes 2000a. The author-date citations in parentheses are listed in the references at the end of the article.

The label NPM covers many varieties of public sector reform (Hood 1995; Rhodes 1998b), including: privatization, marketization, corporate management, regulation, and decentralization. It is perhaps the most popular account of recent changes (see box 2).

GOVERNANCE

If the Westminster model and NPM are familiar stories about British government, governance with its stress on the shackles on leaders, undermining the 'leaders know best' strand of the British governmental tradition is not so well known.

From government to governance

This aphorism summarizes the shift from line bureaucracies to fragmented service delivery. After 1979, function-based policy networks based on central departments (or sections of them) changed in two ways. First, the membership of networks became broader, incorporating both the private and voluntary sectors. Second, the government swapped direct for indirect controls. British government privatized the utilities. It contracted-out services to the private sector. It introduced quasi-markets through purchaser-provider splits when services could not be privatized. It bypassed local authorities for special-purpose bodies. It removed operational management from central departments and vested it in separate agencies (see Rhodes 1997a, chs. 5–7). Fragmentation not only created new networks but it also increased the membership of existing networks (see box 3).

Central departments are no longer either necessarily or invariably the fulcrum, or focal organization, of a network. Power relations may remain

BOX 2 *From Westminster model to New Public Management*

Several projects identify changes in the Westminster model under the impact of NPM.

The story of internal regulation is the story of a plural centre seeking to extend its control (Daintith and Page, in Rhodes 2000a vol. 1, ch. 4).

Regulating and auditing quasi-markets is expensive and costs are rarely identified clearly (Whiteside, in Rhodes 2000a vol. 2, ch. 9).

The Treasury has a clear set of views on social policy covering not only the levels of spending but also the content. The Treasury's approach is dominated by short-term spending decisions and it has lost the analytical capability to control the link between economic and social policy and to comment on policy content (Parry and Deakin in Rhodes 2000a, vol. 2, ch. 5).

The attempt to separate policy from service management has failed. Creating operational agencies increased their policy making role; policy migrated to the agency and policy making became an exercise in managing ambiguous boundaries (Elder and Page, in Rhodes 2000a vol. 1, ch. 12; Day and Klein, vol. 1, ch. 13).

Agencification and managerialism created two cultures – mandarins and managers (Day and Klein in Rhodes 2000a vol. 1, ch. 13).

BOX 3 *Fragmentation.*

I live in North Yorkshire in a quiet rural area with a few small towns. It is not the cosmopolitan capital of the western world. There is night life, but it shuts at 11 p.m. The government requires health and local authorities to provide for AIDS sufferers. To plan the service, 19 organizations come together to form the planning team. An unbelievable 39 organizations are involved in delivering the service. There is no hierarchy among the organizations. No one organization can plan and command the others. And yet there are only 24 people who are HIV positive in the area. A tinge of black humour is unavoidable: there is only one clear policy choice – find a patient for each organization (Rhodes 1998c).

unequal. The government can still set the boundaries to network actions. It funds the services. But it has also increased its dependence on multifarious networks. The policy of marketizing public services speeded up differentiation and multiplied networks. Such trends make steering more difficult, so the mechanisms for integration multiply. Governance has become the defining narrative of British government at the turn of the century, challenging the commonplace notion of Britain as a unitary state with a strong executive.

More control over less

Government policy now fragmented service delivery. It compensated for its loss of hands-on controls by reinforcing its control over resources.

Decentralizing service delivery was coupled with both centralized financial control and a massive extension of regulation (see box 4). The government adopted a strategy of 'more control over less'.

The reasons for these changes have been often rehearsed. For example, it can be argued that the drive to make government smaller had its roots in New Right party politics and poor economic performance (see Hood 1996, pp. 273–82; Wright 1994, pp. 104–8). Others stress the ways in which governmental traditions, or a set of beliefs about the institutions and history of government, led to different interpretations of public sector reform and its problems (Rhodes 1999c and citations). So, different countries have dif-

BOX 4 *The growth of internal regulation.*

Christopher Hood and his colleagues (1998 and 1999) show that the loss of control, whether through privatization or deconcentrating managerial authority, has fuelled regulatory growth.

Between 1976–95 the number of regulatory bodies increased by 22% from 110 to 134. Staffing increased by 60% to about 14,000. Spending increased by 106% to about £766 million, a figure doubled by including compliance costs.

They conclude government devotes as many resources to regulating itself as it does to private utilities; this regulation has become more formal, intensive, complex and specialized; like Topsy it just grew; and the regulators are unregulated.

ferent reasons for implementing reforms which can have little in common with one another beyond the label new public management. The debate about the causes and consequences of reform will continue but one point seems clear, the pace of change in Britain was greater than elsewhere in Western Europe. Three characteristics of the British governmental tradition eased public sector reform.

First, a defining characteristic of the British governmental tradition is its strong executive. Margaret Thatcher exercised strong, directive, and above all persistent, executive leadership to push through reform of the civil service. Riddell (1997) argues 'the Blair Presidency' continues the tradition.

Second, Britain's uncoded constitution does not entrench the rights of institutions or individuals. So, there are few constitutional constraints on executive leadership when the government has a majority in Parliament. Once the government decided on a change, it could force it through.

Finally, the Conservative government devised a clear set of political ideas to justify and 'sell' its various reform packages. It attacked big government and waste, used markets to create more individual choice and campaigned for the consumer.

One theme remains constant; containing public spending to provide more services for the same or less money. This imperative drove the search for management reform. Although a commonplace of the academic literature, it is worth stressing that administrative reform is always political. Since 1979 the reform of the civil service has been rooted in the political decision to cut government spending and to exert effective control over the administrative machine.

The hollowing out of the state

Governance is also the product of the hollowing-out of the state from above (for example, by international interdependencies), not just from below (by marketization and networks), and sideways (by agencies) (Rhodes 1994, pp. 138–9).

The European Union shows how transnational policy networks emerge when, for example, there is a high dependence in the policy sector; policy making is depoliticized and routinized; supra-national agencies are dependent on other agencies to deliver a service; and there is a need to aggregate interests. In the EU, multi-level governance links the Commission, national ministries and local and regional authorities. It is a specific example of the impact of international interdependencies on the state (see box 5).

So, the hollowing-out thesis suggests that not only external dependence but also internal fragmentation create many challenges to the capacity of core executives to steer. Two examples of the effects of internal fragmentation will suffice. Day and Klein (1997 and in Rhodes 2000a, vol. 1, ch. 13) argue the NHS Executive has hollowed out the Department of Health because policy as well as operational management has migrated from the core department to the agency. Similarly Norton (Rhodes 2000a, vol. 2,

BOX 5 *EU and hollowing-out.*

Menon and Wright (1998) argue 'there is no doubt' the UK 'has forged an efficient policy making and co-ordinating machine' because the government speaks and acts with one voice. It has also been successful in its 'basic strategy of opening up and liberalising the EU's economy'. However, its 'unjustified reputation' for being at the margins of Europe is justified for EU constitution building and 'an effective and coherent policy making machine becomes ineffective when it is bypassed' for the history-making decisions.

Bulmer and Burch (1998, p. 624) conclude:

'At the levels of policy and political management, the impact of EC-EU on the activities of the British government has been profound. Membership has brought new issues on to the agenda, given whole areas of policy a European dimension, required the development of new expertise on the part of officials and ministers, involved intensive and extensive negotiations with EU partners and raised significant problems about policy presentation and party management' (see also Rhodes 2000a, vol. 1, ch. 3).

Three epigrams from Richard Rose (2000) (and in Rhodes 2000a, vol. 2, ch. 3) dramatize the external limits to independent action by the British core executive.

'All politics is international'.

'There are two kinds of countries, those that are small and know it and those that are small and don't'.

'What goes on outside the world of Westminster is more important to the peace and prosperity of the British people than what is done by Her Majesty's Government, including its first minister.'

ch. 7) argues that decentralizing power to bodies outside government has further limited the capacity of ministers to have an independent impact on policy outcomes and is, therefore, evidence of hollowing out.

The weakness of the core executive

The strong executive strand of the Westminster model overstated the power of the British centre which was always embedded in complex sets of dependencies (see box 6).

NPM created a greater need for co-ordination while reducing governmental ability to co-ordinate. Concern for this decline in central capability was voiced by Sir Robin Butler (1993, p. 404), former Head of the Home Civil Service, when he wrote: 'it is essential that it does not reach the point where individual Departments and their Agencies become simply different unconnected elements in the overall public sector, with ... *no real working mechanisms for policy co-ordination*' (emphasis added).

The Conservative government did not strengthen strategic capacity with the other changes. This search for co-ordination lies at the heart of New Labour's reforms. As Kavanagh and Seldon (in Rhodes 2000a, vol. 2, ch. 4) point out we have seen prime ministerial centralization in the guises of: institutional innovation and more resources for No. 10 and the Cabinet Office; and strong political and policy direction as No. 10 seeks a firm grip on the government machine. The pendulum swings yet again as the centre

BOX 6 Power-dependence in the core executive.

The core executive refers to 'all those organizations and procedures which co-ordinate central government policies and act as arbiters of conflict between different parts of the government machine, not just prime minister and cabinet' (Rhodes and Dunleavy 1995, p. 12).

Martin Smith (1999, ch. 2) usefully links the notion of the core executive to power-dependence (Rhodes 1999b) to show the constraints on leadership in British government. Power-dependence means all actors within the core executive have resources and to achieve goals resources have to be exchanged. So, even actors with many resources, such as the Prime Minister, are dependent on other actors to achieve their goals. This distribution of resources, coupled with the strength of departments and their overlapping networks, mean the core executive is fragmented and central co-ordination is difficult (See also Smith in Rhodes 2000a, vol. 1, ch. 2).

Other projects discuss the weakness of the core executive rather than its dependency relationships

The core executive does not co-ordinate British government (Brady and Catterall in Rhodes 2000a, vol. 1, ch. 9), control is plural (Daintith and Page in Rhodes 2000a, vol. 1, ch. 4) and the core is fragmented (Parry and Deakin in Rhodes 2000a, vol. 2, ch. 5).

The core executive is 'elusive and fluid' and the notion needs to be 'widened' to include 'the strictly political dimension of policy making' and 'deepened' to cover 'the relatively low level at which ... key decisions are taken' (Lowe 1997).

Norton (Rhodes 2000a, vol. 2, ch. 7) describes the core executive as baronial: 'Ministers are like medieval barons in that they preside over their own, sometimes vast, policy territory. Within that territory they are largely supreme. ... The ministers have their own policy space, their own castles – even some of the architecture of departments ... reinforces that perception – and their own courtiers. The ministers fight – or form alliances – with other barons in order to get what they want. They resent interference in their territory by other barons and will fight to defend it.'

In sum, power-dependence characterizes the links between both barons and the barons and Prime Minister.

'It often feels like a very hostile world out there' said one former Prime Minister, 'and the fact was I could do very little about it' (quoted in Rhodes 2000a, vol. 2, ch. 4).

Referring to the 1960s, Lowe and Rollings (Rhodes 2000a vol. 1, ch. 6) conclude: 'political and administrative fragmentation may have sapped the ability of the core executive to co-ordinate a strong central policy, but the fundamental impediment to modernization remained the power of vested interests within the broader governance'.

promotes co-ordination and strategic oversight to combat Whitehall's departmentalism. They argue such 'power grabs' are 'a reaction to felt weakness, a frustration with the inability to pull effective levers'.

However, in spite of the strong pressures for more and pro-active co-ordination throughout Western Europe:

the co-ordination activities of the core remain in practice modest in scope: most internal co-ordination takes place at lower levels of the state

hierarchy; is rarely strategic or even directive, but selective, issue oriented and reactive; is negative in the sense that it is characterised by the toleration of heavily compartmentalised units pursuing mutual avoidance strategies to reduce tensions'. . . . All governments have resorted to a variety of measures to reduce the burden of co-ordination, . . . but with only limited success and . . . many of the measures adopted have served only to complicate and even increase co-ordination requirements (Hayward and Wright in Rhodes 2000a, vol. 2, ch. 2).

The sour laws of unintended consequences

Unintended consequences are not the result of Sod's law that 'if it can go wrong, it will go wrong'. They are not just the result of poor design or wayward implementation by other agencies. They are unavoidable because new knowledge does not increase control of the social world but alters that world and sets it off in new directions. Policies are theories about how to change the social world. Implementation provides findings of how that world is both changing and in so doing changes the policies. The impact of knowledge on political institutions is like a crash involving a heavy lorry.

Governance understood as steering networks is a prime example of unintended consequences because it is an unintended consequence of marketization. To recap briefly, marketizing public services fragmented the institutional structure delivering those services. Because service users and their problems do not fit neatly into institutional boxes, organizations have to co-operate to deliver their services effectively. Such sets of organizations, or networks, do not work through competition but by co-operating with one another. So co-operation vies with competition as the organizing principle of service delivery. Marketization encourages an ironic stance. The Conservative government's policy of marketization set out to break up what it saw as producer networks. But the competition-based fragmentation which undermined existing networks created pressures to form new networks which, in turn, undermined the competitive rationale of marketization. Truly there are no simple solutions to complex problems.

The loss of trust

Networks are a distinctive way of co-ordinating and, therefore, a separate governing structure from markets and hierarchies (or bureaucracies). Trust is their central co-ordinating mechanism in the same way that commands and price competition are the key mechanisms for hierarchies and markets respectively. The loss of trust is a general argument about marketization and its effects. It is also a specific argument about eroding public service ethics.

On trust and marketization, Newman *et al.* (1998, 105) conclude:

Relational contracts involve a degree of trust between client and contractor. The client must be prepared to trust the contractor to behave within

the spirit of the agreement on the assumption that the reputation and future business growth of the contractor depend on it. The contractor must be prepared to trust that the client understands the realities of the new situation, i.e. that the private sector needs to make a return on investment (See also Rhodes 2000a, vol. 2, ch. 10)

In other words, as it evolved, contracting-out by central government departments laid less emphasis on price and competition and paid more attention to building long-term relationships characterized by trust and co-operation. Contracts acquired the characteristics of networks.

On public service ethics, such reforms as managerialism and open competition for civil service jobs can be seen as diluting standards. Box 7 provides an example of behaviour ostensibly modelled on the new managerialism which violates such ethics (see also Committee of Public Accounts 1994).

It's the mix that matters

No governing structure works for all services in all conditions. The issue, therefore, is not the superiority of markets over hierarchies but the con-

BOX 7 *Marketization and declining standards in public life.*

Yorkshire RHA awarded a contract to Yorkshire Water for clinical waste incineration worth £7.2 million of capital and £2 million a year in revenue. It was not let competitively. It was for *fifteen* years. The authority did not get NHS Executive approval. The Committee of Public Accounts (1997) was 'concerned' about a further eight instances of 'unacceptable' behaviour which they noted 'with surprise' and 'serious concern', including on one occasion, an 'appalled'.

The Regional General Manager defended his actions claiming he brought a more commercial attitude and a willingness to embrace risk to health services management. He embraced 'the rhetoric of the day (in summary the ministerial encouragement to break away from the bureaucratic stranglehold).' The point is of sufficient importance to warrant a lengthy quote from the former chief executive of Yorkshire RHA, Keith McLean.

The culture of the day in the NHS should be recognised as a real factor. In the 1988-93 period, senior managers were encouraged *from the highest levels* to focus on the achievement of nationally desired results. The service was in the throes of radical structural change with the introduction of a market approach and, . . . it felt to me and perhaps others that the regulatory framework of the pre-reform era was relaxed to give local managers the space to achieve change quickly through the exercise of managerial discretion. The advent of the Chief Executive . . . was a signal of the changing culture. Several of the regulations which are said to have been transgressed in Yorkshire have since been modified in the direction of greater flexibility . . . and the coming changes were, inevitably, 'in the air' before they actually came about' (Committee of Public Accounts 1997, p. 40 emphasis added).

Mr McLean accepted that he embraced 'the culture of the day too enthusiastically and uncritically in pursuit of successful outcomes' but insisted that his decisions must be placed in the broader context. His point about encouragement from the highest level is accurate. The impact of marketization and the decline in standards could not be clearer.

ditions under which each works best. The limits to markets and hierarchies are well documented. The limits to networks are less well known. So box 8 lists the costs and benefits of networks. The central advantage of networks is that they give professionals the freedom to use their expertise and tailor services to clients. Instead of costly monitoring and evaluation of service quality, and haggling with staff about their performance, networks trust professionals to follow high standards. The guarantees for those standards comes through training, accreditation and policing by the national professional association, not the employer. The main disadvantage of networks is that they are difficult to hold to account, witness the long-standing struggle for managerial control of doctors in the NHS.

Network negotiation and co-ordination can also be confounded by the political context in which they are embedded. Rapid rates of change, endemic social conflicts and short-term political, especially party political, interests can all undermine negotiations and the search for an agreed course of action. So, whatever the governing structure, there is a high probability that it will produce unintended consequences because of the political context, inappropriate conditions, and the unpredictable impact of social knowledge. Or, to be succinct, as Harold Macmillan would have it: 'events, dear chaps, events'.

Diplomacy and hands-off management

I use 'diplomacy' to refer to management by negotiation. As Sir Douglas Wass said 'finesse and diplomacy are an essential ingredient in public service' (cited in Hennessy 1989, p. 150). Such skills lie at the heart of steering networks.

BOX 8 *The limits to networks.*

Networks are effective when for example:

- actors need reliable, 'thicker' information;
- quality cannot be specified or is difficult to define and measure;
- commodities are difficult to price;
- professional discretion and expertise are core values;
- flexibility to meet localized, varied service demands is needed;
- cross-sector, multi-agency co-operation and production is needed;
- monitoring and evaluation incur high political and administrative costs; and
- implementation involves haggling.

The costs of networks include:

- closed to outsiders and unrepresentative;
- unaccountable for their actions;
- serve private interests, not the public interest (at both local and national levels of government);
- difficult to steer;
- inefficient because co-operation causes delay;
- immobilized by conflicts of interest; and
- difficult to combine with other governing structures (see Rhodes 1997a, 1997b and 1998b)

The idea is not new but it has been temporarily misplaced. Nicholson (1950, p. 15) identifies seven diplomatic virtues: truthfulness; precision; calm; good temper; patience; modesty; and loyalty (to the government one serves). There is a charming quality to Nicholson's account. The budding diplomat is advised that: 'above everything, do not allow yourself to become excited about your work' (p. 116). He then adds: "But", the reader may object, "you have forgotten intelligence, knowledge, discernment, prudence, hospitality, charm, industry, courage and even tact". I have not forgotten them. I have taken them for granted' (p. 126). For all its slightly old-fashioned, even quaint, air Nicholson signals an important shift in style to a language which stresses sitting where the other person sits and helping other people to realize their objectives. If this shift seems prosaic, if the style seems obvious, then the following story suggests there is still some way to be travelled before management by diplomacy becomes prominent.

The scene is the annual conference of the Queensland Division of the Institute of Public Administration Australia. The event is a public lecture in which I contrast the style of the 'head kicker' – Australian for macho-manager – with that of the diplomat. As I mingled after the address, three female public servants working for the Queensland government approached me, congratulated me on my talk, 'but', they commented, 'they won't listen to you. That diplomacy is *'girlie talk'*. My instant response was to laugh. On reflection, I realized that language about sitting where the other person sits and helping other people to realize their objectives was seen as 'soft'. It would not seem too harsh to conclude that the tool kit of the public service manager is overly restricted.

The new style of hands-off management involves setting the framework in which networks work but keeping an arm's length relationship. For example, a central department can: provide the policy framework and policy guidance; prod the network into action by systematic review and scrutiny of its work; use patronage to put 'one of its own' in key positions; mobilize resources and skills across sectors; regulate the network and its members; and provide advice and assistance (Cm 2811, 1995; Rhodes 1997b and citations). Such steering may be imperfect but just as there are limits to central command, there are limits to independent action by self-organizing networks.

The new style also employs a colourful language. For example, civil servants in the Department of Health confronted with the challenge of instilling financial discipline in doctors liken their task to 'herding cats' and their management tools to 'rubber levers' which when pulled bend in the middle but effect little change on the ground.

From deconcentration to devolution

Decentralization encompasses both deconcentration and devolution. Deconcentration refers to the redistribution of administrative responsi-

bilities in central government. Devolution refers to the exercise of political authority by lay, elected, institutions within territorial areas. In the UK, most of the reforms of the 1980s and 1990s sought to deconcentrate managerial authority; for example to agencies. Devolution was a feature of public sector reform elsewhere in Europe. With the advent of the Labour government, devolution became a political priority in Britain.

The British unitary state was always a differentiated polity – a maze of divided functional authority. Government Offices for the Regions (GOs) were an embryo reform of that system. The aim was to improve the co-ordination between the regional offices of Whitehall departments to meet the demand for a single point of contact and to simplify the government machine and improve value for money. Mawson and Spencer (1997, pp. 81–3; Rhodes 2000a vol. 2, ch. 12) conclude that the decision to set up GOs was ‘a radical departure from the centralised and compartmentalised traditions of the civil service’. They have led to greater co-ordination in the regions. Although ‘much remains to be done in developing the skills of civil servants in networking partnership development’, none the less GOs are a key mechanism for developing holistic governance. Potentially, they are also ‘the building blocks of a devolved democratically elected regional structure’ but their misfortune was to be created by the Conservative government and abandoned by the Labour government which favoured Regional Development Agencies (RDAs) to fuel regional economic regeneration. The RDAs both supplanted, and in the eyes of some ‘undermined’, GOs when they were on the verge of success.

Devolution reinforces functional decentralization with divided political authority. Devolution to the English regions will not take place in the life of this Parliament. But RDAs have not stilled the clamour of regional voices for devolution. So, political decentralization remains on the political agenda and the civil service may soon confront a patchwork quilt of regional assemblies and directly elected mayors in England (as well as Scotland, Wales and Northern Ireland) with new machinery of government to manage intergovernmental relations both for domestic matters and the EU. Diplomatic skill in intergovernmental bargaining will become a prominent part of a civil servant’s repertoire. Britain will get a taste of the federal-provincial diplomacy so characteristic of other Westminster systems such as Australia and Canada. In the words of the Head of the Home Civil Service, Sir Richard Wilson (1998), the civil service ‘are going to have to learn skills that we haven’t learned before’. In short, the networking skills increasingly required to manage service delivery will also be at a premium in managing the intergovernmental relations of devolved Britain. The task is to manage packages, packages of services, of organizations generally and of governments in particular.

CONCLUSIONS

Box 9 summarizes the shift from hierarchy to networks. What lessons can we draw from a view of the world in which networks rival markets and bureaucracy as a means for delivering services?

Too often academics seek to play the role of *ersatz* public servant. We try to provide data, even solutions, to present-day problems. But the social sciences offer only provisional knowledge. Prediction is probably an impossibility, only hindsight is a realistic goal. An awareness of our limits does not make the social sciences useless. If we cannot offer solutions, we can define and redefine problems in novel ways. We can tell the policy makers and administrators distinctive stories about their world and how it is governed. The new public management told a story of economy, efficiency and effectiveness which contrasted sharply with the story of the local government officer as professional with clients and the permanent secretary as policy adviser and fire-fighter for the minister.

The governance narrative stresses differentiation, networks, hollowing-out, trust and diplomacy. Its language contrasts sharply with that of managerialism, markets and contracts. The ESRC's 'Local Governance' and 'Whitehall' Programmes helped to change the language of the 1980s from managerialism to networks. If there is a simple lesson, it is that in the complex

BOX 9 *Characterizing governance.*

Following Martin Smith (1999) recent changes can be described as a shift from bureaucracy or hierarchy to networks

Hierarchy

A high degree of state control, the result of policies such as nationalization.
A large bureaucratic machine.
Legitimacy to undertake large-scale intervention in society.
The incorporation of key economic groups into the policy process.
A high degree of consensus between officials and politicians over their role in governing and decision making.

Networks

A shift from bureaucratic management to decentralized and delayed management.
A tendency to set overall direction of policy rather than detail of policy – a lack of detailed intervention.
Control over a smaller public sector.
The exclusion of economic groups from the policy process.
Loss of consensus between officials and politicians.
Concern with managing networks rather than directing state bureaucracies (see also Rhodes 2000a vol. 1, ch. 2).

However, this trend is not specific to the post-war period. Thus, Lowe and Rollings (Rhodes 2000a, vol. 1, ch. 6) caution against the argument there was a unilinear increase in state intervention after 1900 and a hollowing-out after 1945. They record the rise and fall of governance (as networks) in the twentieth century, arguing it was pre-eminent at the turn of the century, obsolete in the 1960s and reinvented in the 1980s.

world of diplomacy in governance there are no simple solutions based on markets or bureaucracies or networks.

This lesson is broad. In fact, it is unpacked by each aphorism. The lessons in box 10 parallel the earlier sections of the paper.

The maxim 'for every complex problem there is a simple solution and it is always wrong' may not be literally correct but it should instil a modicum of caution in the breast of the would-be reformer.

These lessons are directly relevant to many reforms under New Labour. Thus, the White Paper on *Modernising Government* (Cm 4310, 1999) aspires to 'joined-up' or 'holistic' government. Both phrases are synonyms for steering networks and the White Paper is a response to felt weakness: 'in general too little effort has gone into making sure that policies are devised and delivered in a consistent and effective way across institutional boundaries – for example between different Government departments and between central and local government'. It describes the challenge as 'to get different parts of government to work together' by, for example: 'designing policy around shared goals'; 'involving others in policy making'; 'integrating the European Union and international dimension in our policy making'; and regarding 'policy making as a continuous learning process'. Specific proposals include: organizing work around cross-cutting issues; pooled budgets; cross-cutting performance measures; and appraisal systems which reward team working.

The government's approach will have to confront the lessons in box 10. The search for co-ordination lies at the heart of New Labour's reforms and yet Hayward and Wright (2000) show that horizontal co-ordination is the philosopher's stone of modern government, ever sought, but always just beyond reach. Ministers, the barons at the heart of British government, defend their fiefdoms; it was ever thus. Equally, action zones show the

BOX 10 *The lessons of governance.*

- Fragmentation limits the centre's ability to command.
- Regulation substitutes for control but who regulates the regulators?
- External dependence further erodes the ability of the core executive to act.
- Fragmentation confounds centralization, undermining the ability of the core executive to co-ordinate.
- Knowledge, or policy learning, changes problems as policies seek to solve them.
- Marketization corrodes trust, co-operation and shared professional values, undermining the networks it only partially replaces.
- All governing structures – markets, bureaucracies and networks – fail, so 'if it ain't broke don't fix it'.
- Steering networks needs diplomacy, so hands-off management is the only effective operating code.
- Decentralization is a key mechanism for developing holistic governance.

limits to vertical co-ordination. There is an epidemic of zones, to the point where the solution (to fragmentation) becomes part of the problem (by adding to the bodies to be co-ordinated). For example, John Denham (1999), a junior minister in the Department of Health, concedes that 'zones can sometimes make government look more, rather than less complicated to the citizen' and there is the danger of 'initiative overload' because the zones do not join-up.

Zones show the government adopting an instrumental approach to network management which assumes the centre can devise and impose tools to foster integration in and between networks and realize central government's objectives. It is an example of imposed consensual technocracy which will not solve the problem of co-ordination. The reforms have a centralizing thrust. They seek to co-ordinate departments and local authorities by imposing a new style of management on other agencies. So, they 'do not want to run local services from the centre' but '[T]he Government is not afraid to take action where standards slip'; an obvious instance of a command operating code (Cm 4310 1999, pp. 35, 37, 45, 53, 55). Zones are owned by the centre and local agendas are recognized in as far as they facilitate the central agenda. Such a code, no matter how well disguised, runs the ever-present risk of recalcitrance from key actors and a loss of flexibility in dealing with localized problems. Gentle pressure relentlessly applied is still a command operating code in a velvet glove. When you are sat at the top of a pyramid and you cannot see the bottom, control deficits are an ever-present unintended consequence. Network structures are characterized by a decentralized negotiating style which trades off control for agreement. Management by negotiation means agreeing with the objectives of others, not just persuading them that you were right all along or resorting to sanctions when they disagree.

All governing structures fail. Bureaucracy and red tape is an old litany. We also become increasingly conscious of the limits to marketization. If contracting-out remains, the purchaser-provider split has gone and the private finance initiative stores up problems. The Treasury may avoid capital spending but there is an 'affordability gap' because hospital trusts do not have the resources to pay the private sector. As with the previous government, the full costs of this policy emerge slowly. Similarly there are limits to networks and box 8 lists them. I do not suggest that joined-up government and networks are unworkable, it is important to remember that *all* governing structures fail. Networks have distinct advantages. First, markets and hierarchies fail. Networks work in conditions where they do not. The list of conditions in box 8 are conditions under which markets fail; for example, where it is difficult to specify the price of a good or service! Second, networks bring together policy makers and the implementing agencies, and by so doing increase the available expertise and information. Third, networks bring together many actors to negotiate about a policy, increasing the acceptability of that policy and improving the likelihood of

compliance. Fourth, networks increase the resources available for policy making by drawing together the public, private and voluntary sectors.

New Labour rejects the command bureaucracy model of Old Labour with its emphasis on hierarchy, authority and rules. At first sight, it accepts the Conservative government's policy of marketizing public services but it pragmatically accepts such reforms as the Citizen's Charter while rejecting others. Distinctively, it advocates joined-up government or delivering public services by steering networks of organizations where the currency is not authority (bureaucracy) or price competition (markets) but trust. In the parlance of the chattering classes it is the 'Third Way' in action. It exemplifies the shift from the providing state of Old Labour and the minimal state of Thatcherism to the enabling state.

There is much to welcome in New Labour's modernizing programme for central, local and devolved government. But the government lacks the trust it seeks to inspire. It fears the independence it bestows. So, the White Paper on *Modernising Government* recognizes the need to manage networks but fails to recognize the limits both to central intervention as it tries to balance independence with central control and to networks as a fallible governing structure.

My story stresses muddling through based on provisional knowledge and diverse, local policy responses to contested definitions of problems. There is no tool kit for the central steering of decentralized networks. 'Hands off' is the hardest lesson of all to learn.

REFERENCES

- Bevir, M. and R. A. W. Rhodes. 1999. 'Studying British government: reconstructing the research agenda', *British Journal of Politics and International Relations* 1, 2, 215–39.
- Brady, C. and P. Catterall. 1997. 'Managing the core executive', *Public Administration* 75, 3, 509–29.
- Bulmer, S. and M. Burch. 1998. 'Organising for Europe: Whitehall, the British State and European Union', *Public Administration* 76, 4, 601–28.
- Butler, Sir Robin. 1993. 'The evolution of the civil service', *Public Administration* 71, 395–406.
- Catterall, P. and C. Brady. 1998. 'Cabinet committees in British governance', *Public Policy and Administration* 13, 4, 67–84.
- Cm 2748. 1995. *The civil service: Taking forward continuity and change*. London: HMSO.
- Cm 2811. 1995. *Department of National Heritage Annual Report 1995*. London: HMSO.
- Cm 4310. 1999. *Modernising government*. London: Stationery Office.
- Committee of Public Accounts. 1994. *The proper conduct of public business*. London: HMSO.
- . 1997. *The former Yorkshire Regional Health Authority: the inquiry commissioned by the NHS chief executive*. HC 432 Session 1996–97. London: The Stationery Office.
- Day, P. and R. Klein. 1997. *Steering but not rowing? The Transformation of the Department of Health: a case study*. Bristol: The Policy Press.
- Denham, J. 1999. Speech to the CIPFA/Public Management and Policy Association Conference on an 'An Epidemic of Zones, Illness or Cure?'. International Conference Centre, Birmingham.
- Hayward, J. E. S. and V. Wright. 2000. 'Governing from the Centre: policy co-ordination in six European core executives', in R. A. W. Rhodes (ed.), *Transforming British government. Volume 2: Changing roles and relationships*. London: Macmillan.
- Hennessy, P. 1989. *Whitehall*. London: Secker & Warburg.

- Hood, C. 1995 'Contemporary public management: a new global paradigm?', *Public Policy and Administration* 10, 2, 104-17
- 1996 'Exploring variations in public management reforms of the 1980s', in H.A.G.M. Bekke, J.L. Perry and T.A.J. Toonen (eds.), *Civil service systems in comparative perspective* Bloomington: Indiana University Press.
- Hood, C., O. James, G. Jones, C. Scott and T. Travers 1998 'Regulation inside government' where new public management meets the audit explosion', *Public Money and Management* 18, 2, 61-8
- Hood, C., C. Scott, O. James, G. Jones and T. Travers 1999. *Regulation inside government: waste-watchers, quality police and sleaze busters* Oxford: Oxford University Press
- Jones, G.W. 1998 'Reforming No. 10', *Talking Politics* 11, 1, 21-7
- Lowe, R. 1997 'The core executive, modernization and the creation of PESC, 1960-64', *Public Administration* 75, 4, 601-15
- Mawson, J. and K. Spencer. 1997 'The Government Offices for the English Regions: towards regional governance?', *Policy and Politics* 25, 1, 71-84
- Menon, A. and V. Wright 1998. 'The paradoxes of "failure": British EU policy making in comparative perspective', *Public Policy and Administration* 13, 4, 46-66.
- Newman, J., S. Richards and P. Smith 1998 'Market testing and institutional change in the UK civil service: compliance, non-compliance and engagement', *Public Policy and Administration* 13, 4, 96-110
- Nicholson, H. 1950 *Diplomacy*. Oxford: Oxford University Press
- Norton, P. 1997 'Leaders or led? Senior ministers in British Government', *Talking Politics* 10, 2, 78-85
- Rhodes, R.A.W. 1994. 'The hollowing out of the state', *Political Quarterly* 65, 138-51
- 1997a *Understanding governance: policy networks, governance, reflexivity and accountability*. Buckingham: Open University Press
- 1997b 'It's the mix that matters: from marketization to diplomacy', *Australian Journal of Public Administration* 56, 40-53
- 1998a 'The changing nature of central government in Britain: the ESRC's Whitehall Programme', *Public Policy and Administration* 13, 4, 1-11.
- 1998b 'Different roads to unfamiliar places: UK experience in comparative perspective', *Australian Journal of Public Administration* 57, 19-31
- 1998c 'Diplomacy in Governance', *Politics Today* 7, 3, 24-7
- 1999a 'Foreword: governance and networks', in G. Stoker (ed.), *The new management of British local governance*. London: Macmillan
- 1999b, 1981 *Control and power in central-local government relationships* Farnborough: Gower. Reprinted with a new Preface and three extra chapters
- 1999c 'Traditions and public sector reform; comparing Britain and Denmark', *Scandinavian Political Studies* 22, 4, 341-70
- (ed.) 2000a *Transforming British government* 2 vols. London: Macmillan
- 2000b 'A guide to the ESRC Whitehall Programme, 1994-1999', *Public Administration* 78, 2, 251-82
- 2000c 'Governance and public administration', in J. Pierre (ed.), *Debating governance*. Oxford: Oxford University Press
- Rhodes, R.A.W. and P. Dunleavy (eds.) 1995. *Prime minister, cabinet and core executive* London: Macmillan
- Richards, S., P. Smith and J. Newman 1996 'Shaping and reshaping market testing policy', *Public Policy and Administration* 11, 2, 19-34
- Riddell, P. 1997. 'Advising the Prime Minister' Paper to the ESRC Conference on 'Future Whitehall' Church House, London
- Rose, R. 2000 *The paradox of Downing Street: the Prime Minister in a shrinking world*. London: Macmillan.
- Smith, M.J. 1998 'Theoretical and empirical challenges to British central government', *Public Administration* 76, 3, 45-72
- Smith, M. 1999 *The core executive in Britain* London: Macmillan
- Theakston, K. 1999 *Leadership in Whitehall*. London: Macmillan
- (ed.). 1999. *Bureaucrats and leadership* London: Macmillan
- 1997. 'Comparative biography and leadership in Whitehall', *Public Administration* 75, 651-67.
- 1997 'New Labour, New Whitehall?', *Public Policy and Administration* 13, 1, 13-34.

- Verney, D. 1991 'Westminster model', in V. Bogdanor (ed.), *The Blackwell encyclopaedia of political science*. Corrected paperback edition Oxford: Blackwell.
- Wilson, Sir Richard. 1998. 'Modernising government. the role of the senior civil service' Speech, Senior Civil Service Conference, Oct
- Wright, V. 1994 'Reshaping the state implications for public administration', *West European Politics* 17, 102-34.

Date received 15 October 1999. Date accepted 4 February 2000.

BLACKWELL Journals

International Social Security Review

Published by Blackwell Publishers Ltd on behalf of
the International Social Security Association (ISSA)

Edited by Mike Gautrey

First published in 1948, the *International Social Security Review* is the only international quarterly publication in the field of social security. Articles by leading social security experts around the world present international comparisons and in-depth discussions of topical questions as well as studies of social security systems in different countries, and there is a regular, comprehensive round-up of all the latest publications in its field.

International Social Security Review ISSN. 0020-871X Volume 53 (2000)
contains 4 issues

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia

Contact e-help@blackwellpublishers.co.uk

 **BLACKWELL**
P u b l i s h e r s

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

EUROPEAN FORUM



POLITICIANS AND INTERACTIVE DECISION MAKING: INSTITUTIONAL SPOILSPORTS OR PLAYMAKERS

E.H. KLIJN AND J.F.M. KOPPENJAN

In recent years interactive decision making has become quite popular in The Netherlands, especially at the level of local government. It involves new forms of participation of citizens, consumers of public services and interest groups in the process of policy formation. Workshops, panels, internet discussions and a lot of other techniques are used to arrive at innovative and supported solutions for existing problems. The ambitions are high: these new forms of participation should result in better government both in the sense of providing better policies, but also in bridging the democratic gap between local government and citizens.

However, these new forms of participation in local government are not without problems. Recent experiences suggest that one of the major problems is the challenge interactive decision making constitutes for the existing practice of representative politics. On the basis of two cases – the decision-making process concerning the expansion of the Rotterdam Harbour and the discussion about a new administrative structure for the Rotterdam region – this article illustrates that one of the barriers that stands in the way of the success of such processes is the ambiguous attitude of elected politicians. Although politicians often initiate interactive decision-making processes, they do not actively support these processes when they are in progress. The outcomes of interactive decision-making progress are often not used in the formal political procedures that follow. Because elected politicians fear that these new forms of participation threaten their political primacy, they find it hard to play a constructive role in these processes.

E.H. Klijn is Senior Lecturer in the Department of Public Administration, Erasmus University Rotterdam, and J.F.M. Koppenjan is Senior Lecturer in the Faculty of Technology, Policy and Management, Delft University of Technology, The Netherlands.

Public Administration Vol. 78 No. 2, 2000 (365–387)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA

In this paper we suggest that if politicians are serious about interactive decision making, they should reflect on their own role in it. Building upon empirical insights of the cases and on a discussion of two possible approaches to democracy, we suggest alternative roles for politicians. The prevailing substantive definition of primacy of politics should be redefined in order to allow politicians to fulfil the role of catalyst and facilitator of the public debate. In this way the eroded role of politicians in societal decision making may gain a new meaning.

1 INTRODUCTION

Interactive decision making is an attempt by governmental organizations to handle a number of changes that have occurred within its field and in the relationship between public organizations and private and semi-private organizations. Three important trends form the background of interactive decision making.

Firstly, for many decisions in today's modern complex society, government depends on the co-operation of other public, private or semi-private actors, interest groups, experts and civilians. These actors control resources that are essential to the realization of policy efforts. These resources may be funds, organization, representation, knowledge, but also legal arrangement for consultation, objection and appeal. This gives a wide circle of individuals, groups and organizations the power of vetoing governmental intentions and the capability to delay or block decisions (Rhodes 1997; Scharpf 1997). This power to block decisions can be viewed as an important reason for the long duration of many public decision-making processes. Ways are being explored to increase the support for policies of individuals, groups or organizations from outside, in order to reduce the use of their power of veto (Kooiman 1993; Kickert, Klijn and Koppenjan 1997).

Second, there is a growing awareness that in our contemporary complex society it is not possible to concentrate the knowledge and expertise needed to solve social problems in one central point. Because of the limited information capacity of central actors, to solve societal problems or to realize promising policies, co-operation of a wide variety of actors is necessary (Castells 1996; Weick 1979; March 1989; Rein and Schön 1996).

Thirdly, government authorities at both the national and local level are increasingly concerned about the gap between citizens on the one hand and elected politicians and civil service on the other. When citizens cannot identify with the policy outcomes that the public sector produces, they turn away from government and politics. Apparently representative democracy is insufficiently capable of aggregating the preferences of individuals into policy (Andersen and Burns 1996).

As a reaction to these developments, in the Netherlands in recent years various initiatives have been taken by government authorities to make use of a more open style of management and decision making. Under the heading of *interactive decision making*, various ministries, provinces and local governments have been experimenting with forms of decision making in

which other actors such as citizens, private organizations, different levels of administration and interest organizations are invited to contribute ideas and discuss desirable solutions to policy problems.

Although the practice of interactive decision making is becoming more widespread, it is not certain that the ambitions on which it is based are realized. In particular, the involvement of politicians in these types of processes appears to create problems. Politicians are sometimes absent for extended periods from processes they themselves initiated, or they claim in advance the right to deviate from emerging proposals by referring to the primacy of politics. Participants in interactive decision-making processes often appear disappointed with what politicians do with the outcomes of the interactive process. The link between interactive decision-making processes and the sanctioning and implementing of the results in 'normal' political decision-making procedures and arenas is apparently problematic. This experience is not typically Dutch and has been observed elsewhere. Thus Fischer and Forester (1993) point out that attempts to put 'the argumentative turn in public policy making' into practice often encounters the objection that such forms of discursive democracy are not compatible with the rules of the game of representative democracy prevalent in western democracies.

This gives reason to examine, on the basis of a number of cases, ways in which politicians and representative institutions are involved in interactive decision-making processes, precisely which problems arise and how they come about. Ultimately this leads to the question whether an unbridgeable gap exists between interactive decision making, inspired by the ideals of participatory democracy, and the ideas and practices of representative democracy, or whether the two can be reconciled.

Before we get to that point, we need to have a clear picture of precisely what interactive decision making is. We present this picture in the next section. In section 3 we examine, on the basis of two cases, bottlenecks that can arise in the relationship between interactive decision making and politicians' systems. These include the discussion about the expansion of the Rotterdam Harbour and the establishment of a regional authority in the greater Rotterdam region. In section 4 we examine the background to these bottlenecks. Views underlying representative democracy are mirrored against those of participatory democracy. We examine the different roles this leads to for politicians in decision-making processes and to what extent these are reconcilable. Section 5 addresses the question of how these roles can be 'woven into' the interactive decision-making process, in such a way that political risks are reduced and opportunities are seized. Finally, in section 6 we argue that politicians will increasingly initiate and participate in interactive decision-making processes along the lines we suggest, because it provides them with opportunities to enhance the primacy of politics in our complex network society.

2 INTERACTIVE DECISION MAKING: AN INNOVATIVE WAY OF POLICY MAKING

Interactive decision making is a way of working in which citizens, users, interest groups and public and private organizations that have a stake in a decision are involved in its preparation. It is aimed at creating support for policy proposals, improving the quality of decisions by mobilizing external knowledge and expertise, and enhancing the democratic legitimacy of decision making.

Sometimes the type of process that we are focusing on here is explicitly labelled interactive decision making, although the exact wording may differ. Take for example the infrastructural laboratories (Infralab) organized by the Dutch Ministry for Transport, Public Works and Water Management in which users and those who live by state roadways meet together with policy makers to tackle local traffic congestion problems. Other examples are the open planning processes that are set up at the start of national projects to examine their need and purpose and the countless small-scale projects that local governments initiate under the heading of interactive policy making in order to involve citizens in policy (De Rooy 1997).

But there are also processes that are not explicitly labelled as 'open' or 'interactive' yet they include conscious attempts to stage such a relatively open interaction. This article also applies to those processes. The discussion about creating a city province in the Rotterdam area is an example: here a deliberate attempt was made to create intergovernmental support for a new administrative form.

What's new about interactive decision making?

Interactive decision making differs from existing forms of neo-corporate decision making in that the circle of participants is not limited to existing institutionalized forms of interest representation. Rather it is characterized by the opening up of existing arenas of decision making to new actors, new interest groups, other authorities, private organizations, citizens and users.

Interactive decision making differs also from the decision-making procedures institutionalized on the basis of the democratizing waves of the sixties and seventies. These procedures aim at strengthening the role of Parliament in decision making and regulating the participation of citizens, interest groups and advisory councils in these processes, by organizing opportunities for advice, objection and appeal. They organize the involvement of parties *ex post*, after a policy proposal is already in place. Interactive decision making involves parties at an earlier stage and has the objective of actually influencing the content of policy. In other words, interactive decision making is marked by the open character of the interaction, which implies that participation and the agenda are not structured beforehand in such a way that parties or subjects that do not fit in are not given a chance to influence the decision making.

Interactive decision making: methods to design and manage interaction

Involving actors in decision making makes the process complex. That is why methods for interactive decision making are used: conscious efforts to design and manage the interactive process. In The Netherlands various methods have been developed during recent years. Although the idea of openness and interactivity is shared, there is a great variety of process designs, working methods and participation patterns (Van der Most *et al.* 1998).

Nevertheless, in many interactive decision-making procedures a three-step process can be recognized in some form. Generally, a problem exploration phase can be identified followed by a discussion about alternative problem-solving approaches and a third step focused on selecting alternatives. In the first phase different dimensions of the problem are explored. Also attempts are made to free actors from fixed frameworks and perceptions of problems. In the second phase an attempt is made to elicit a critical dialogue concerning possible solutions by formulating a variety of problem-solving approaches. Finally, a selection is made from the alternative problem-solving approaches that have been discussed (Van der Most *et al.* 1998).

In interactive decision-making procedures a variety of techniques are used to foster decision making. Much use is made of workshops and (expert) panels to arrange for intensive interactions among actors. Other ways to stimulate discussion are role playing or simulation games and internet discussions, but also research and opinion surveys are used to introduce and promote discussion about (new) information or about desirable solutions, or to test social support for proposals (compare Mayer 1997).

Provisional experiences with interactive decision making: politicians as spoilsports

At the moment there is not much systematic knowledge about the success or failure of interactive decision making and the factors that affect it. It is difficult to assess whether the intended results such as creating support and improving quality are realized, especially considering the long duration of decision-making processes. However, it has become clear that interactive decision making is not without problems (De Rooy 1997; Edelenbos and Monninkhof 1998). One major problem with interactive decision-making processes is the ambiguous attitude of elected politicians towards this method. Although they quite often initiate these processes, they are wary about participating in them because they fear that their manoeuvring room to reject or amend policy proposals will be restricted. This problem is a major hazard for the success of interactive decision making. Results of interactive processes are in danger of not being used in the formal decision-making procedures. This eventually will erode the willingness of actors to get involved in interactive decision-making processes. Why bother if formal decision makers will not listen after all?

So we consider the attitude of elected politicians towards interactive

decision-making processes a critical condition. In the next section we examine the way elected politicians deal with interactive decision-making processes by means of a brief comparative analysis of two interactive processes.

3 INTERACTIVE DECISION-MAKING PROCESSES: TWO CASES

Case 1: Deciding upon the expansion of the Rotterdam Harbour

The Rotterdam Harbour is one of the most important harbour-main ports in Europe and quite important to the Netherlands' economy. Since the early 1990s the municipality of Rotterdam, in co-operation with other municipalities in the region, the national government and businesses, has been planning the improvement and expansion of the harbour area. One project concerns the construction of a second large industrial area near the harbour by land reclamation (the Second Meuse Plain). This expansion of the port area should solve the shortage of space experienced in Rotterdam. Since the project is of national interest, the Cabinet decided in April 1996 to submit the decision regarding the perceived shortage of space to an exploration phase, an interactive decision-making process that should result in a so-called 'project decision'. In its letter the Cabinet formulated a double objective: improvement and expansion of the harbour to be coupled with improvement of the living environment in the region.

Design and outcomes of the interactive process

For the organization of the interactive decision-making process a project group consisting of civil servants from four ministries was established. The project was called the VERM project. VERM stands for the exploration phase of the spatial development of the Main Port Rotterdam. The interaction process took place between April 1996 and July 1997 when the Cabinet formulated its project decision on the basis of the outcomes of the exploration phase. All sorts of organizational arrangements such as workshops, focus groups, etc. were used to elicit a wide array of views. At the end of the interactive process the project group prepared an advisory statement to the Cabinet. The cabinet proposal itself, however, the project decision, was prepared within the usual administrative framework of the ministries. In principle three alternatives were central to discussions during the interactive process:

- the zero option; no expansion, economic utility not having been convincingly demonstrated
- expansion of the harbour area within the existing terrain (intensive development) and supplementary functions outside the harbour area
- expansion of harbour activities by expanding harbour area (by constructing the Second Meuse Plain)

The zero option was supported chiefly by various environmental organizations, while the Rotterdam Harbour Authority was a proponent of the construction of a Second Meuse Plain. After the discussion within the exploration phase, the project group made the recommendation to construct a

smaller Second Meuse Plain than was originally proposed by the Rotterdam municipality. The project group also proposed a more intensive development and the relocation of some activities to other areas. But it concluded that this would be virtually as expensive as the construction of a new terrain.

Preparation for the project decision that the Cabinet had to take again occurred in the ministries. The final project decision of the Cabinet that appeared in mid-1997 took the view that an economic growth rate of 3 per cent would be necessary to guarantee sufficient growth of employment opportunities. The Cabinet observed that a shortage of space threatened and proposed to start a key planning decision that aimed at expansion of the harbour area with approximately 1,000 ha. of contiguous harbour and industrial terrain with its own sea port. In addition the objective was to expand the nature reserve and recreational areas to 750 ha. Parliament in its discussion in December 1997 again emphasized the equivalence of the goals of main port development and quality of life in the region and demanded that the alternative solutions being developed gave equal weight to these two objectives.

The role of politicians in the interactive process

The ministries and national political figures and Parliament hardly participated in the open planning process. But at various times there was contact between the VERM project group and high-level staff of the ministries (especially the Ministry of Transport, Public Works and Water Management). Already, in the preliminary phase, the project group was told that the ministers and Members of Parliament would not participate in the discussions since they had, so it was said, their own responsibilities. Based on this the top officials at the ministry retained the right to determine the project decision, a position that was repeated in later discussions.

In the discussion around the expansion of the Rotterdam harbour politicians seemed to recognize only two roles: that of a distant, non-involved actor or that of a proponent of a specific interest. The first role was reflected in the position of the Second Chamber of Parliament and of national political authorities. Based on the idea that representative institutions have their own explicit area of substantive responsibility, these actors did not want to commit themselves and therefore also did not want to take part in interactive decision making. It is striking that Parliament, in the discussion about the Cabinet's project proposal, argued for giving more attention to environmental objectives, while the discussion in the interactive decision-making process was dominated by the already developed option of the Second Meuse Plain. A more intensive involvement of politicians perhaps could have led to a more serious elaboration of alternatives that would have expanded the range of choices of the Second Chamber. The distant role assumed by the national politicians clashed with the assumptions of inter-

active decision making which aimed not only at the creation of a certain extent of variety but also a shared commitment during the process.

This applies less to the other conception of their role which, for example, the Rotterdam Municipal Council adhered to in the decision-making process about the Meuse Plain, namely that of defence of interests. After some hesitation, the Rotterdam municipality participated in the process to convince the other parties of the desirability of expanding the Rotterdam harbour with a second Meuse Plain. This role fits with the premises of interactive decision making but then politicians just become one of the interested parties in the process, making it unthinkable that the municipality of Rotterdam could play a mediating role.

Through the rather aloof role played by the politicians, two separate decision-making arenas arise: an 'interactive arena' in which the interactive decision-making process unfolds and an 'administrative-political arena' in which the results of the interactive arena are translated into a project decision. If we consider the final project decision it is especially striking to see how little of the argumentation and information from the interactive decision-making process can be traced in the project decision. It hardly deviates from the initial decision and the proposals of the project group Meuse Plain II set up by the Rotterdam municipality. The conclusion can only be that substantive enrichment as an outcome of the interactive process is minimal. This is all the more striking because at the end Parliament again emphasized the importance of the double objective. More use of information from the interactive phase of the decision-making process could have made a contribution here.

Another aspect that stood in the way of enrichment of the proposals was the fact that the status of the Second Meuse Plain already seemed unassailable. Because the proposal had already been worked on for quite some time and was the only one explicitly mentioned in the initial decision of the Cabinet, it very much dominated the substantive discussions.

Case 2: The formation of a city province for the Rotterdam region

In 1989 a nation-wide discussion was launched in the Netherlands about the need for regional administration. It was observed that the social and economic problems facing big cities required a supra-local approach; but at the regional level an administrative framework was lacking. The existing provinces appeared too large in scale to fill the regional administrative vacuum. Also the Rotterdam region was faced with problems between municipalities in co-ordinating their policies regarding regional development.

Design and outcome of the interactive process

From 1989 the mayors, assembled in the Rijnmond Consultative Council (OOR), took the lead in a discussion about the future of the region. As appointed officials they were particularly suited to distancing themselves from local interests and committing themselves to the regional interest. An interactive decision-making process was set up between the municipal

authorities in the region in which, under the guidance of an external project leader, they discussed together the common regional problems facing them and possible avenues of problem-solving. In this phase discussions about structure were avoided. The content of the problems was kept central in order to prevent parties from becoming set in their positions. Working groups were formed which addressed a number of policy areas. Municipal council members participated in brainstorming sessions. Representative bodies sanctioned the intermediate outcomes. Thus in March 1991 the broadly supported memorandum 'The region as new perspective' was issued.

Within OOR a small group of administrators and civil servants, together with decision makers at the national level, became the driving forces in the process. They proposed the establishment of a forceful regional administration while simultaneously splitting up the municipality of Rotterdam. With this latter proposal the fear of the peripheral municipalities of distorted power relations within the region was dispelled. In order to avoid the long drawn-out procedure of amending the constitution, it was decided that the regional administration would take the form of a city province. This meant that it was given fewer powers than the Rotterdam region deemed desirable but that they could be realized more quickly. In November 1993 the design of the legislative proposal was ready and the participation and consultation phase began.

At this time, the Rotterdam Municipal Council imposed conditions: the municipal services must not be broken up and the formation of the city province must be profiled more clearly with a view to confronting the social problems of Rotterdam as a big city. The proponents of the new legislation reacted matter-of-factly to these demands. It was not the Rotterdam Municipal Council that decided about the proposals but the national Parliament.

Because of the municipal council elections in spring 1994, a number of trailblazers for the city province issue left the political scene. A new party, the City Party, entered the council and accused the Social Democratic Party, the PvdA, which was the major proponent of the city province and had lost considerable electoral support, of wanting to abolish the city. The result of all this was that the PvdA, along with everyone in Rotterdam municipal politics, began to have serious doubts about the formation of a city province.

Amidst this political confusion, it was decided to subject the formation of a city province to a local referendum. In June 1995 the Rotterdam electorate rejected the proposal by a large majority: the Rotterdam municipal council now spoke out against the formation of the city province.

At the national level, at the beginning of 1996, Parliament voted against the splitting up of Rotterdam. The Cabinet did not agree and withdrew the bill. With the formation of the new Cabinet in 1998 the plans were definitively cancelled.

The role of politicians in the interactive process

Although the decision-making process about the future administrative set-up for the region is not formally labelled as interactive decision making, from the outset a procedure was very consciously followed to facilitate a process of 'joint vision forming' between the involved municipalities. The initial period was certainly quite successful. Formulating a common strategic vision was, given the existing interadministrative relations, a considerable achievement. Furthermore, the case shows how politicians can be involved in a process of joint vision forming. They made a contribution to the substantive discussion and continuously fed the outcomes of the debates back to their political constituencies. In 1991 administrative support was therefore also emphatically political support.

In the subsequent phase, however, this political commitment was not sustained. The Rotterdam Municipal Council in particular increasingly fell back on the exclusive promotion of Rotterdam's own narrow interest. This was mainly due to de-coupling the process of policy preparation from the local political arenas, so that the municipal politicians were no longer partners in the decisions that were made. But the Rotterdam position was also characterized by a strong inward-looking orientation: trying to impose Rotterdam conditions and organizing a local referendum on an issue with a clearly regional scope.

On the other hand, the proponents of the legislative proposal apparently saw local politicians as a threat to policy preparation. It would have been difficult, however, to expect local politicians to keep quiet about something as crucial as the abolition of their municipality, not to mention contributing to the substantive improvement of the policy proposals.

At least two important lessons can be learned from this case. First, it gives clues about how to involve politicians successfully in interactive decision-making processes. After all, initially this process was remarkably successful in gaining the commitment of local politicians. Only after the management of the process shifted to the national arena did this commitment evaporate. It is striking that neither the local nor the national politicians were capable of giving a new impetus to the interaction process or of taking its management into their own hands.

The second lesson to be learned is that getting politicians involved does not only have implications for the role conception of politicians, but also for the attitude of those who are organizing and managing the interactive decision-making process. We will return to this latter theme later on.

Conclusion: politicians spoil the game

There appears to be a problematic relation between politicians and interactive decision making. On the one hand politicians often are the initiators of these processes but on the other hand they seem to participate little and view the process as a threat to their power. This is clearly represented in table 1 where the main conclusions of the two cases are summarized. The

TABLE 1 *Features of two interactive decision-making processes*

	VERM	City Province
Features of interactive process	<ul style="list-style-type: none"> - discussion about use and necessity during the decision-making process - oriented towards exploring alternatives - large number of involved parties: citizens, administrators and interest organizations (economic and environmental) 	<ul style="list-style-type: none"> - joint strategy development by municipalities in the initial phase of the process - oriented towards administrative and political support - involved parties: especially local administrators, politicians and civil servants
Measure of success or failure	<ul style="list-style-type: none"> - interested parties usually satisfied about interactive process, not about follow-up (connection between interactive process and regular decision making) - little substantive enrichment of original decision 	<ul style="list-style-type: none"> - in initial phase successful as interactive process: supported regional development plan - fails as decision-making process due to politicization and lack of social support
Causes of success or failure	<ul style="list-style-type: none"> - emergence of two separate arenas (interactive arena versus administrative-political arena) - dominance of existing alternative (Second Meuse Plain) hinders discussion about necessity and alternatives 	<ul style="list-style-type: none"> - during policy development arenas get disconnected and lose support - no attempt is made to restore support: choice for strategy of imposition
Role of politicians	<ul style="list-style-type: none"> - role at far distance (Parliament and ministers) or as interest promoter (municipality Rotterdam) - only involved in final stage 	<ul style="list-style-type: none"> - local politicians involved in initial phase as interest promoters who support the plan - local politicians excluded later on, as a result of which they resist the adapted plan - national politicians prepare for substantive decision making, but are unable to ignore local resistance

question can be asked why politicians do not opt for another, more positive role in interactive processes. The answer is that the roles politicians choose are institutionally fixed and related to dominant views about democracy and the role of political primacy.

Politicians view interactive decision-making processes as a threat to their primacy: their position as the final and sole decision makers on the basis of the mandate they have received from their constituents. Their representative role threatens to be eroded: their space to balance priorities is infringed upon by the interactive policy proposals and the legitimacy these proposals derive from participatory democracy. There seems to be a contradiction between political primacy and interactive decision making. Below we argue that this is a false contradiction since in thinking about democracy and

politics there are more perspectives available. Examination of these various perspectives can help to clarify the appreciation of interactive decision making from a democratic point of view, to position interactive decision making in relation to the practice of representative democracy and to reframe the roles of elected politicians toward a more constructive engagement in interactive decision-making processes.

3 INTERACTIVE DECISION MAKING AND DEMOCRATIC PERSPECTIVES

Recently much attention has been paid to the functioning of representative democracy and ways to improve its functioning so that citizens are more involved in the decision-making process (Hirst 1995, 1997). Based on the idea that the post-modern society is constituted differently, interpretations of democracy are being sought that place greater emphasis on the plurality of actors and values. Interactive decision making can be considered as one of the attempts to renew the functioning of democracy. The difference from many other attempts is that most of them are aimed at changing the institutional regimes of democracy (see for instance proposals in The Netherlands for direct election of mayors or for referenda). Interactive policy making is more aimed at changing the nature of decision making.

Most efforts at renewal, and this also applies to interactive decision making, take their inspiration from other currents in political-philosophical thought than those in which representative democracy is rooted. To clarify this, these different perspectives in political-philosophical thought, delineated as the contrast between an *instrumental* and a *substantive* view of democracy (Pateman 1970; Macpherson 1979), are briefly touched upon in this section.

Instrumental versus substantive view of democracy

The first perspective on democracy can be identified as the instrumental view. It is this view that to a large extent underlies the practice of representative democracy. Here democracy is seen as an efficient method of decision making that in the long run both achieves good results and protects the individual freedom of citizens. This view strongly emphasizes the formal procedures through which representatives who translate citizens' preferences into policy are elected. The instrumental view of democracy goes back to Utilitarians such as Mill and Bentham, and in the years following the Second World War were articulated anew by theoreticians such as Schumpeter and the Pluralists (see Macpherson 1979; Sabine and Thorson 1973; Schumpeter 1979). In this view of democracy citizens generally play a passive role. Their wishes are represented by leaders of organized groups (as in pluralism theories) or by elected representatives who can be deposed in elections (see for example the views of the Utilitarians or of theorists such as Schumpeter and Downs). Schumpeter, James Mill and Bentham

clearly show that they are happy that democracy is not dependent on 'the people' (Sabine and Thorson 1973; Schumpeter 1979).

The second perspective is designated the substantive view of democracy because here democracy is seen as a normative ideal that is worth striving for as an objective in its own right. This view is the premise of participatory or direct democracy. Here the focus is not so much on democracy as a formalized decision-making procedure but as a societal ideal (Kalma 1982). Democracy is a value in itself, a political and social ideal that involves citizens in government policy and encourages them to be both active and responsible. This substantive view of democracy goes back to the first theories of Utopian democracy propounded by Jefferson, Rousseau and John Stuart Mill (Sabine and Thorson 1973; Macpherson 1979). One can also consider the work of theoreticians such as Habermas, with his emphasis on the interaction between equal and responsible citizens who in a discussion free of domination ('herrschaftsfrei') come to agree about values (Habermas 1981), as a modern articulation of this second tradition. In table 2 these two democratic traditions are juxtaposed with each other.

Interactive decision making in a representative system

In interactive decision-making processes various features of the substantive view on democracy can be recognized. This applies to the greater emphasis on direct participation of citizens, their responsibility and active role. But

TABLE 2 *Two democratic traditions*

	Instrumental vision	Substantive vision
Image of democracy	Representative democracy	Direct democracy
View of democracy	Democracy is a method for making decisions	Democracy is a societal ideal
Image of freedom	Negative image of freedom (emphasis on curtailment of power of state apparatus via right to vote and protection of rights)	Positive image of freedom (emphasis on self-development of citizens)
State and society relation	The state is 'executive institution' of citizens and is 'above the parties'	State and society function thanks to one another (political and social democracy are inextricably linked)
Role of government	Executor of citizens' preferences and guarantor of rights to freedom	Active support of democratic society (creation of opportunities for participation and development)
Role of citizens	Passive role; emphasis on citizens as consumers (expression of preferences)	Active role; emphasis on citizen as civic subject (importance of participation in decision making)
Adherents	James Mill, Bentham, Schumpeter, Downs	Rousseau, Jefferson, John Stuart Mill, Habermas

Source: adapted from Klijn 1996.

also the emphasis on interaction and achieving mutual agreement fits into this picture. This is not surprising considering that interactive decision making is meant to more actively involve social groups and citizens. In particular, many local initiatives are taken from the need to narrow 'the gap between government and citizen'. One can rightly argue that through interactive decision making, an institutional regime based on views of substantive democracy is introduced into a system dominated by instrumental democracy in which decision-making power is concentrated in elected representatives.

This mix of different institutional regimes – hybrid democracy (see Ede-lenbos and Monnikhof 1998) – is not without problems. There are tensions between the rules of the game of instrumental democracy, with its emphasis on the passive role of citizens and the strong decision-making power of elected politicians, and the rules of the game of substantive democracy that are oriented much more towards interaction and communication. The rules of the game of representative democracy are aimed at a procedure in which elected political institutions at the end of the decision-making process pronounce a final judgement in which they represent the general interest unhindered and without consultation. On the other hand, interactive decision making is precisely aimed at settling the question of what is in the common interest and through interactions between interested parties. The question is, then, what can the role of elected politicians still be at the conclusion of a process of policy preparation if in that process there has been broad social participation? If the interactive process is emphatically legitimized as a correction of the gap between citizen and government which is so salient for representative democracy, then the competition between both regimes is sharpened and we then have a zero sum game. In the next section we elaborate on some ways to reconcile the practice of interactive decision making based on ideas of substantial democracy with the practice and institutional reality of every day political life.

5 POLITICIANS AS KEY PLAYERS IN INTERACTIVE PROCESSES

Given the perceived competition between the political primacy of elected politicians and the practice of interactive decision making, politicians see political risks in participating in these processes. Interactive decision making processes may result in:

- 1 postponement of urgent or desired policy measures as a result of the introduction of new participants in the policy formation process;
- 2 commitment to solutions which are hard to sell to the politician's constituency, or which are at odds with their party programme, electoral promises or government statement;
- 3 being confronted with a politicized conflict between parties which is hard to settle and may undermine their credibility as political leaders;
- 4 being accused of not taking an substantive position;

- 5 becoming the focus of strategies of passionate minorities whose preferences are contrary to one's own preferences or the general interest.

These risks may bring the politician into troublesome situations, which may damage his reputation and in the end may jeopardize his or her re-election. However, these risks are avoidable. Interactive decision making may in fact provide politicians with new opportunities. It may lead to:

- 1 the introduction of new actors whose resources may improve the quality of policy measures which politicians try to realize;
- 2 strengthening the support for a solution both from participating parties and from their political constituency.
- 3 prevention of politicization of issues and uncertainty by including stakeholders in an early stage of the process of policy formation;
- 4 politicians initiating and leading the process by which participants search for solutions which best fit the general interest, as an alternative to the impossible job of formulating substantive decisions which reflect the general interest themselves;
- 5 the creation of new partnerships that make it possible for politicians to bypass the existing monopolies on policy formation of institutionalized interest groups and administrative bureaus, while interactive decision making may reinforce the position of politicians by providing them with a wider range of options, compared with the established ways of policy making.

Besides risks, interactive decision making may provide politicians with new chances. But this is only true, if the interactive decision-making process is organized and managed in a proper way. So suggesting that politicians should redefine their role is not enough. Also the organization of the interactive decision-making process should be adapted in order to reduce political risk and create opportunities.

Institutional design: the best of both worlds?

How then, can the involvement of politicians in interactive processes take shape? In any case the situation we want to avoid is clear. Politicians should not:

- unilaterally dictate conditions in advance;
- restrain from participation for fear of being committed at a later stage;
- make decisions without much regard for the outcome of the interactive process.

But what should likewise be avoided is that participants in interactive decision making expect politicians to adopt their proposals unaltered, or that out of their lack of trust they formulate only a single policy proposal so that they can confront politicians with a *fait accompli*.

Above it is argued that the clash between interactive decision making

and the role of politicians is fundamentally an institutional issue. The solution must then be sought at the level of institutional design: reconciling the practice of instrumental and substantive democracy by making agreements between the parties involved about rules and roles, which must subsequently be applied in practice (Weimer 1995; Goodin 1996; Timmermans 1997). In institutional design what matters is that politicians are not only asked to play a new role but that also the design of the process is such that politicians are given the space to shape that new role.

In the following section we show how the new role of politicians can be constituted. Crucial is the recognition that politicians and political institutions will ultimately make their own judgements. Striving for a formal commitment that binds politicians in advance to the (uncertain) outcomes of the interactive process is not very realistic and ignores the risks that are involved in these processes for politicians (compare De Bruijn, Ten Heuvelhof, In 't Veld 1998). The challenge is to so involve them in the interactive process that they take part in the process of shared vision forming and of their own accord defend the formulated proposals, because they are convinced of their quality. In the end this does not have to mean that proposals come through the formal procedures completely unchanged. What matters is that the interests, expertise and considerations that are articulated in the interactive process are being used in the formal decision-making procedures. Interactive decision making does not determine outputs, but sets the agenda and by doing that it has potentially an important influence on the decisions that are taken in the formal procedures. Below we go into the possible roles of politicians and political institutions in the various rounds of the interactive process: at the start, during and at the end, and the associated design requirements.

The role of politicians at the start of the process: setting the stage

At the start of the interactive process politicians can play an active role as initiators or by picking up and supporting the initiative of others. This gives them the opportunity to direct politically the social debate around a concrete issue. To parties within society this gives a signal that something is actually about to happen. In a political-administrative environment in which attention and time are scarce this can be a powerful impulse to participate in an interactive decision-making process (compare Kingdon 1984/1995).

Politicians and political institutions can establish substantive terms for the interactive process: an indication of the direction to look for solutions and measures to be taken. These terms however should not be substantive directives: rather it is a matter of marking the terrain within which involved parties can develop substantive solutions. By indicating these terms political majorities can profile themselves politically. For the participants in the process they are crucial in order to curtail the strategic uncertainties that surround the interaction process and to align expectations concerning the

interaction process among involved parties. Because only the main lines are sketched, politicians are in a position to further develop their selection criteria in the course of the process and to sharpen or adjust them. The assumption is that also for politicians the interaction process is a learning process. Through the process they can gain more insight into the substance of problems and alternatives, which can also lead to the realization that previously proposed terms are not realistic or are unnecessarily restrictive. This reduces the danger that during the implementation process these previous proposed terms turn out to be impossible to implement because of practical obstacles or severe opposition.

In addition to substantive directives they can also pose precondition terms for the quality of the interactive decision-making process. Thus they can restrain the power of the bureaucrats in such processes and introduce rules of the game that manage the risks identified in these kinds of processes (insufficient openness, underrepresentation, exclusion and arbitrariness due to procedural vagueness). Politicians can set rules for questions like: who may enter the policy arena, what information is available, how can we handle situations of conflict. By opening up the policy arena for other groups, politicians also increase the probability that views of bureaucratic professionals, who normally dominate the decision arena, as the two case studies show, are criticized and that different views are expressed (see section 6).

The role of politicians during the process: organizing variety and learning

During the process, politicians should stay involved; otherwise there is a risk that they will not be part of the learning process that is going on. Given their tight time budget this involvement will usually remain limited. It is possible for politicians to take part in interactive workshops. A promising alternative is to agree with them on a number of occasions when they will be informed of the most important developments in the interactive process and have the opportunity to influence that process. This arrangement proved to be quite successful in the first stages of the decision making about the Rotterdam City province, but needs to be conscientiously sustained in the subsequent phases.

This implies that in the design of the process there must be time reserved for such a feedback mechanism. This interim involvement enables politicians to familiarize themselves with the process of shared visioning that has taken place in the interaction process, to fine-tune their own assumptions and criteria accordingly and to influence that process. These interim opportunities are particularly important when significant changes occur at the political end, for example when new representatives and administrations take office following elections.

This role has to be combined with creating variety in the finding of solutions and the using of various expertises. This attention on creative com-

petitiveness (Teisman 1997) means that during the process an active search for a variety of alternative solutions is possible. Alternative solutions can compete with each other and so can be improved upon in the competitive process. The idea is that this procedure will create more stimulating alternatives than the normal procedure in policy making in which one solution is elaborated after selecting a specific problem formulation. The disadvantages of such a traditional way of problem solving are that at an early stage the problem formulation is fixed and the search for alternatives ceases. Often policy makers find themselves tied to a solution geared to a formulation of the problem that has changed since the beginning of the process. Also, the danger of adversaries popping up with new solutions in the final stage is very great. To avoid an unrealistic 'synoptic' policy-making process (see the criticism of Lindblom on such processes: Lindblom 1959, 1979) the search for alternatives should be restricted at the beginning. A logical way to achieve this is to connect the search for alternatives to the most important different views among the involved actors. Here a prominent role for politicians can be envisaged (preventing exclusion of actors and problem definitions, stimulating discussion between different views).

Working on different options for solutions gives policy makers insight into the possible solutions and the reality of these solutions. It can also make clear which elements of the different solutions can be brought together and in that way satisfy different interests in the decision-making process. A possible way of organizing creative competitiveness is to give different groups of policy designers and experts room to develop solutions from a different view of the problem. Another (more traditional way) of stimulating variety and creative competition is working with different scenarios. Competition between different views can be stimulated further by organizing a kind of political market place with organized discussion stages in the interactive process, in which different groups present their solutions.

Because these different views have to compete with each other there will be a tendency to collect more information which will then be available to all participants. Competition also makes the flow of information more transparent and reliable than in a situation in which only one actor develops a solution or if the solution is developed from one definition of the problem. In this way interactive decision making can enhance the transparency of the process and the choices for politicians and open up the often closed arena of bureaucratic decision making.

The role of politicians at the end of the interactive process: combining and selecting

At the end of the interactive process it is necessary that the variety created be reduced. At this point, it is important that attractive alternatives are combined and unattractive alternatives, in terms of costs, support and satisfying the different criteria of desirable solutions from various authors, are rejected (see Klijn and Koppenjan, forthcoming). In this phase the role

of politicians again shifts. On the one hand, they should be involved in the selection process of attractive alternatives. They should be looking at where the majority coalitions that can support and implement interesting and promising proposals, lie, and should be actively supporting that coalition-forming process. On the other hand they should be looking at how the adapted proposals affect various interests (especially underrepresented interests). It is essential that politicians use and work with the solutions and ideas that have been generated by the interactive process and support and lead a process of actively selecting and combining attractive policy proposals.

Thus, by taking the initiative, selecting social problems to become the focus of societal debate and defining substantive and process conditions for this debate, politicians make political choices *par excellence*. By doing this they initiate a process directed at creating a variety of directions towards solutions that do justice to the multi-interpretability and complexity of the problem situation. This occurs through establishing a design process between involved actors and experts which does not result in one single proposal, but in competing options between which decision makers can choose or which can be woven together to create such a mix that a diversity of social preferences is satisfied. For politicians this means that through interactive decision-making procedures their field of choices at the end of the process can be enlarged. Compared with current practice, in which politicians often deal with proposals that have been developed in relatively closed bureaucratic and neo-corporatist circles, more alternative solutions can surface. Thus interactive decision making can enhance the freedom of choice of politicians and political institutions in relation to the existing practice of policy preparation. In table 3 the role of politicians during the process and the demands that are made on the process itself are summarized.

6 TOWARDS A REDEFINITION OF POLITICAL PRIMACY

Vital for the successful involvement of politicians in interactive decision making is their preparedness to take the lead in these processes. This implies a fundamental change in the way they perceive their role and the way they define the primacy of politics. Such a profound institutional change will not easily occur. Still, we think that there are strong arguments why politicians, despite the problems and risks related to interactive decision making, should engage in them. Furthermore, there are conditions which will increasingly encourage them to do so. The most important condition is the growing awareness of the impacts of several societal developments, which have a profound impact on the role of politics in society. As a result of trends such as privatization, decentralization, professionalization, increasing importance of information technologies, decline of ideologies, and ongoing individualization, politics is losing relevance (Fukuyama 1989; Guéhenno 1996; Frissen 1998). We live in a network society where decisions

TABLE 3 *Roles for politicians and design requirements in interactive decision making*

Phase	Role of politicians	Design requirements for the interactive process
Start	Initiating and legitimizing <ul style="list-style-type: none"> – formulating substantive terms – rules of the game for those involved (access to process) – support for initiatives, clarifying status in decision making 	<ul style="list-style-type: none"> – Space for politicians to initiate and to formulate terms – commitment to rules of the game – acceptance of limited commitment of politicians and political institutions – attune process design to interim involvement of politicians
During	Actively involved and supportive <ul style="list-style-type: none"> – prevent exclusion of actors – feedback to and adaptation of initial terms – foster confrontation of different ideas 	<ul style="list-style-type: none"> – building-in feedback opportunities for administrators and politicians – accepting possible adjustment of the interactive process – realize mobilization of expertise and variety
End	Reconciling points of view and selecting alternatives <ul style="list-style-type: none"> – attempt to forge majorities in favour of proposals – selection and combination of attractive policy proposals 	<ul style="list-style-type: none"> – offer competing alternatives – open up possibility of combining alternatives

are not taken in one central political arena, but in all kinds of places. What is more, this society is characterized by the existence of a great plurality of values and interests. It is no longer possible for politicians to take authoritative, substantive decisions on the basis of ideology or representation of a clearly defined electorate. This problem is well illustrated by the example of the development of individualization.

The Dutch Social Cultural Planning Bureau, which has done survey research on the political and societal opinions in The Netherlands for 25 years, concludes that individualization is one of the major trends in society and that political participation becomes an option rather than something 'natural'. Support of politicians from voters has to be earned and is not given 'naturally' any more. Individuals no longer support values because they are members of societal or political groups or because public actors tell them to do so. This makes it hard for politicians to know the wishes of citizens (Sociaal Cultureel Planbureau 1998). Traditionally they used all kinds of societal organizations to keep in touch with society and the voter but modern citizens are far harder to trace. They do not give their vote any more out of tradition like some decennia ago (Aberbach, Putnam and Rockman 1981). The citizens calculate the rationality of their vote and whether or not they vote at all. Interactive decision making can be seen as a way for politicians not only to find out who the citizens are and what they want but also to show them that they are responsive to their wishes.

These developments are reasons for politicians to investigate possibilities to re-establish their political primacy (Bovens 1995). The discussions about

administrative and political renewal can be seen as expressions of this ambition. Certainly at a local level interactive decision making is often presented as a means to bridge the gap between politicians and their electorate. We think that these attempts can only be successful if they are based on a new interpretation of this political primacy. This primacy is not so much the right to define the substance of governmental policy based on an *ex ante* interpretation of the general interest, but the capacity to initiate and guide societal discourses aimed at the exploration of interests, the creative invention of solutions, and thus the *gradual discovery* of the common interest.

Although there are differences from one political system to another, the above-mentioned societal trends can be observed in almost all (post) industrial countries, as can the strategies of politicians to counter them. The recent developments in more pluralist or more majority-based democracies like France and the United Kingdom show an increasing reliance on partnerships and collaborative decision making to reach policy outcomes, especially on the local and regional level (Lowndes and Skelcher 1998; Painter, Isaac-Henry and Rouse 1997; De Jong 1999). The question does not seem to be whether we have to rely more on collaborative decision making, partnerships, interactive decision making and so on, but how we can organize them. In other words: interactive decision making is not so much a part of the problem politicians face, but of the solution. Although at this stage the relation between interactive decision making and politicians is uneasy and far from ideal, we think that the above-mentioned developments will lead politicians increasingly to initiate these processes and to participate in them. Our ideas about institutional design are aimed at providing politicians with an appropriate and transparent process design, which reduces the potential political risks and provides them with clues about how to define their new political role, so that participating in interactive decision-making processes becomes an attractive and realistic perspective.

REFERENCES

- Aberbach, J D., R.D. Putnam and B.A. Rockman 1981. *Bureaucrats and politicians in western democracies*. Cambridge, MA/London: Harvard University Press
- Agranov, R.I. 1986. *Intergovernmental management; human service problem-solving in six metropolitan areas* Albany, NY: State University of New York
- Allison, G.T. 1971 *The essence of decision, explaining the Cuban missile crisis*. Boston: Little Brown and Co
- Andersen, S.S. and T. Burns. 1996. 'The European Union and the erosion of parliamentary democracy: a study of post-parliamentary governance', in S.S. Anderson and K.A. Eliassen (eds.), *The European Union, how democratic is it?* London: Sage
- Bovens, M.A.P. et al. 1995. *De verplaatsing van de politiek*. Amsterdam: Wiardi Beckman Stichting
- Bruijn, J.A. de, E. ten Heuvelhof and R.J. In't Veld 1998 *Procesmanagement, over procesontwerp en besluitvorming*. Schoonhoven: Academic service
- Bryson, J.M. and B.C. Crosby. 1992. *Leadership for the common good; tackling public problems in a shared-power world* San Francisco: Jossey-Bass Publishers

- Castells, M 1996. *The rise of the network society: economy, society and culture*. Cambridge, MA: Blackwell Publishers.
- Dryzek, J.S. 1996. 'Political inclusion and the dynamics of democratization', in *American Political Science Review*, 90, 1, 475-87.
- Edelenbos, J. en R. Monninkhof 1998. *Spanning in Interactie*. Instituut voor Publiek en Politiek, Amsterdam.
- Fischer, F. en J. Forester (eds.) 1993. *The argumentative turn in policy analysis and planning*. Durham, NC: Duke University Press.
- Frisson, P.H.A. 1998. *Politics, governance and technology: A postmodern narrative on the virtual state*. Cheltenham: Edward Elgar.
- Fukuyama, F. 1989. 'The end of history?', *The National Interest*, 19, 3-18.
- Gage, R.W. and M.P. Mandell (eds.). 1990. *Strategies for managing intergovernmental policies and networks*. New York/London: Praeger.
- Goodin, R.E. (ed.) 1996. *The theory of institutional design*. Cambridge: University of Cambridge.
- Guéhenno, J.M. 1996. *La fin de la démocratie*. Paris: Editions Flammarion.
- Habermas, J. 1981. *Theorie des kommunikativen Handelns, I und II*. Frankfurt am Main: Suhrkamp.
- Heclo, H. 1978. 'Issue networks and the executive establishment', pp. 87-124 in A. King (ed.), *The New American Political System*. Washington, DC: American Enterprise Institute for Public Policy Research.
- Held, D. 1987. *Models of democracy*. Cambridge: Polity Press.
- Hirst, O. 1994. *Associative democracy: new forms of economic and social governance*. Cambridge: Polity Press.
- Hurst, P. 1997. *From statism to pluralism; democracy, civil society and global politics*. London: UCL Press.
- Hood, C.C. 1991. 'A public management for all seasons', in *Public Administration* 69, 1, 3-19.
- Jong, M. de 1999. *Institutional transplantation: How to adopt good transport infrastructure decision making ideas from other countries*. Delft: Eburon.
- Kalma, P. 1982. *De illusie van de democratische staat*. Deventer: Kluwer.
- Kenis, P. and V. Schneider 1991. 'Policy networks and policy analysis: scrutinizing a new analytical toolbox', in Marin and Mayntz (eds.) (see below).
- Kickert, W.J.M., E.H. Klijn and J.F.M. Koppenjan (eds.). 1997. *Managing complex networks*. London: Sage.
- Kingdon, J.W. 1984/1995. *Agendas, alternatives and public policy*. Boston: Little Brown and Co.
- Klijn, E.H. 1996. *Regels en sturing in netwerken; de invloed van netwerkregels op de herstructurering van naoorlogse wijken*. Delft: Eburon.
- Klijn, E.H., J.M.F. Koppenjan and C.J.A.M. Termeer 1995. 'Managing networks in the public sector: a theoretical study of management strategies in policy networks', *Public Administration* 73, 3, 437-54.
- Klijn, E.H. and J.F.M. Koppenjan 2000, forthcoming. 'Network management and decision making in networks: a multi-actor approach to governance', *Public Management* 2.
- Koppenjan, J.F.M. and C.J.A.M. Termeer 1997. 'Managing perceptions in networks', in Kickert, Klijn and Koppenjan (eds.) (see above).
- Kooiman, J. (ed.). 1993. *Modern governance: new government-society interactions*. London: Sage.
- Lindblom, C.E. 1959. 'The science of muddling through', *Public Administration Review*, 19 (spring), 79-88.
- 1979. Still muddling, not yet through. *Public Administration Review* 39, 517-26.
- Lowndes, V. and C. Skelcher. 1998. 'The dynamics of multi-organisational partnerships: an analysis of changing modes of governance', *Public Administration* 76, 2, 313-34.
- Macpherson, C.B. 1979. *The life and times of liberal democracy*. Oxford: Oxford University Press.
- March, J.G. 1989. *Decisions and organisations*. Oxford: Basil Blackwell.
- Marin, B. and R. Mayntz (eds.). 1991. *Policy networks: empirical evidence and theoretical considerations*. New York: Free Press.
- Marsh, D. and R.A.W. Rhodes (eds.). 1991. *Policy networks in British Government*. Oxford: Clarendon Press.
- Mayer, I. 1997. *Debating technologies: A methodological contribution to the design and evaluation of participatory policy analysis*. The Netherlands: Tilburg University Press.
- Most, H. van der, J.F.M. Koppenjan en P.W.G. Bots 1998. *Informatief Interacteren door interactief informeren. Verkennde studie naar eisen aan informatievoorziening bij interactieve besluitvormingsprocessen*, in opdracht van Rijkswaterstaat RIZA, Waterloopkundig Laboratorium, Delft.
- Osborne, D. and T. Gaebler 1992. *Reinventing government*. Reading, MA: Addison-Wesley.
- Painter, C., K. Isaac-Henry and J. Rouse 1997. 'Local authorities and non-elected agencies: strategic responses and organisational networks', *Public Administration* 75, 2, 225-45.

- Pateman, C 1970 *Participation and democratic theories*. Cambridge: Cambridge University Press.
- Rein, M and D Schon. 1996 'Frame-critical policy analysis and frame-reflective policy practice', in *Knowledge and Policy* 9, 1, 85–104.
- Rhodes, R A.W 1988. *Beyond Westminster and Whitehall; the subsectoral governments of Britain*. London. Unwin Hyman
- 1996. 'The new governance: governing without government', *Political Studies* 44, 4, 652–67
- 1997 *Understanding governance: policy networks, governance, reflexivity and accountability* Buckingham/Philadelphia: Open University Press.
- Rooy, A de 1997 *Drie jaar infralab: samen een brug bouwen tussen overheid en burger* Hoofdkantoor Rijkswaterstaat, Den Haag
- Schumpeter, G.A 1979/1943. *Capitalism, socialism and democracy*. London. George Allen & Unwin
- Sabine, G.H. and T.L. Thorson 1973 *A history of political theory*. Hinsdale, IL: Dryden Press
- Scharpf, F.W. 1997. *Games real actors play, actor centered institutionalism in policy research* Boulder, CO: Westview Press
- Sociaal Cultureel Planbureau 1998 *Sociaal Cultureel Rapport 1998* 's-Gravenhage: SDU uitgeverij
- Teisman, G.R 1992/1995 *Complexe Besluitvorming; een pluricentrisch perspectief op besluitvorming over ruimtelijke investeringen*. 's-Gravenhage VUGA
- 1997 *Sturen via Creatieve concurrentie; een innovatie-planologisch perspectief op ruimtelijke investeringsprojecten* Nijmegen: Katholieke Universiteit
- Timmermans, A 1997 'The bound rationality of institutional design' ECPR-paper
- Weick, K.E. 1979. *The social psychology of organizing* (2nd edn.) Reading, MA: Addison-Wesley.
- Weimer, D 1995. *Institutional design* Boston/Dordrecht/London. Kluwer Academic Publishers.

Date received 11 May 1999. Date accepted 30 November 1999.

Australian Journal of Public Administration

**Published by Blackwell Publishers on behalf of the
Institute of Public Administration Australia**

Edited by Glyn Davis and John Wanna

Aimed at a diverse readership, the *Australian Journal of Public Administration* is committed to the study and practice of public administration, public management and policy making. It encourages research, reflection and commentary amongst those interested in a range of public sector settings - federal, state, local and inter-governmental. The journal focuses on Australian concerns, but welcomes manuscripts relating to international developments of relevance to Australian experience.

Australian Journal of Public Administration ISSN: 0313-6647. Volume 59 (2000) contains 4 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk

B BLACKWELL
Publishers

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

THE DYNAMICS OF DECENTRALIZATION AND RECENTRALIZATION

JØRGEN GRØNNEGAARD CHRISTENSEN

Decentralization of authority from central government to sub-national governments is an important part of modern public sector reforms and has been the primary contribution to public sector reform in Denmark and the other Nordic countries. On the assumption that political and administrative actors are authority maximizers, the paper analyses how national and sub-national actors react to these decentralization goals, and the extent to which they are implemented. The analysis points to the importance of both institutional and power variables. It concludes that dynamic change can take place in a public sector which is characterized by strong corporatist and multi-level institutions, such as in Denmark.

The allocation of authority between central and local government varies a great deal from country to country. There is a striking difference between the centralization of the English and French public sectors and the decentralization of public sector governance in Scandinavia. One interpretation is to see this variation as a result of different political and institutional traditions. A historical explanation, however, does not account for the dramatic change that has taken place in some countries during the past thirty years. Rather, the question is why and under what circumstances certain countries have reallocated authority from central to local governments.

This paper explores that issue on the basis of the Danish local government reform initiated in 1970 and continued since. The intended goal was not only the transfer of functional responsibilities to local governments, but also to enhance their autonomy and discretion. Recently, reform intentions have been intensified to include the transfer of authority to user-managed welfare institutions as well. The dramatic change took place in a public sector where other reforms have failed. This compares with countries like the UK and New Zealand that have not decentralized to any particular extent, although they have implemented radical reforms which were political anathema in Denmark (Boston *et al.* 1991; Le Grand and Bartlett 1993; Schwartz 1994). Thus public sector change is possible under certain conditions, while under other conditions it runs into seemingly insurmountable resistance. The ambition of this paper is to shed some light on that issue by answering three questions. How do we account for the long-term transfer of authority to local government? What are national politicians' reactions to

Jørgen Grønnegaard Christensen is Professor of Public Administration in the Department of Political Science at the University of Aarhus, Denmark.

this relative reduction of their authority? Does public sector decentralization lead to strategic adaptation among political actors and, ultimately, to further institutional change?

The analysis presented below involves a comparison of the situation created after the 1970 local government-reform and the development since 1980 where the consolidation and further development of the reform has been at issue. The prime emphasis is on the provision of welfare services and in particular on primary schools with the more recent attempt to introduce a combination of market regulation and user democracy.

A DYNAMIC MODEL OF PUBLIC SECTOR CHANGE

Following administrative theory based on rational choice institutionalism, organizational and institutional choice is assumed to involve important distributive issues. One form of organization is preferred to its alternatives because of its bias in favour of various interests. Similarly, certain rules regulating interaction between different actors are preferred to others, because they guarantee the long-term influence on decision making by a particular actor or set of actors at the expense of others. Therefore, the positions taken by actors concerning existing or alternative institutions of governance are expected to be highly influenced by their calculation of the impact of change on their goals. However, existing institutions and the distribution of power within them constrain actors in their selection of strategies (Hammond 1996; Hammond and Knott 1999; Moe 1990).

Furthermore, the assumption is that actors are rational authority maximizers because the possession of formal authority is instrumental to the fulfilment of the goals of individual and collective actors. Therefore if, according to their own calculations, actors may be affected by a reallocation of authority, they are expected either to support an increase of their own authority or to resist reduction of it.

A third assumption is that actors are risk-averse. When involved in bargaining for future allocation of authority they are alert to uncertainties as to what the future might have in store for them. In particular, they are concerned with political uncertainties created by the strategic actions undertaken by other actors who are likewise pursuing authority-maximizing goals.

Based on these assumptions, changing the allocation of authority between national and sub-national levels of government is an interest-driven and continuous process that takes place over an extended period. Individual and collective actors set their goals on the basis of the initial allocation of authority. By their selection of strategies, actors consider the institutions that regulate participation and specify bargaining and decision rules. As institutions are not deterministic, their strategic choice is also constrained by the current distribution of power determined by electoral results and the composition of ruling coalitions. Finally, if the allocation changes over

time, they have an incentive to reconsider their original strategies. Figure 1 shows this basic model.

There are two central traits in this model. One is the co-existence of parliamentary and corporatist institutions. The other is the two-level character of democratic governance. Either trait is often seen as a source of stagnation and conservatism. The routine involvement of organized interests may constitute a veto-point effectively blocking changes that run counter to their specific interests. Similarly, two- or multilevel institutions make decisions at the higher level dependent on the ratification of these decisions at the lower and constituent level (Putnam 1988; Scharpf 1988). Here, the implication may be that lower level institutions block changes that run counter to their interests. However, other research argues that things are more complex as actors that operate at different, but interdependent institutional levels may negotiate policies that allow for flexibility and change and even for the solution of collective action problems (Crozier and Thoenig 1976; Benz 1995; Blom-Hansen 1999).

This paper explores these interdependencies between central and local governments as a source of dynamics. The basic proposition is that, because of their risk aversion, central and local government actors have a mutual incentive to negotiate joint solutions. But in these negotiations there is a bias in favour of authority maximizing local governments. This is due to an asymmetric distribution of power among political parties represented at either level. If the government does not command a majority in Parliament, it is dependent on its ability to mobilize support from the opposition. In deciding whether to support the government, the opposition may have an eye to the position of interest organizations. This creates an incentive for the government to negotiate its policies with them. But in the case of the local government associations they negotiate with organizations led by

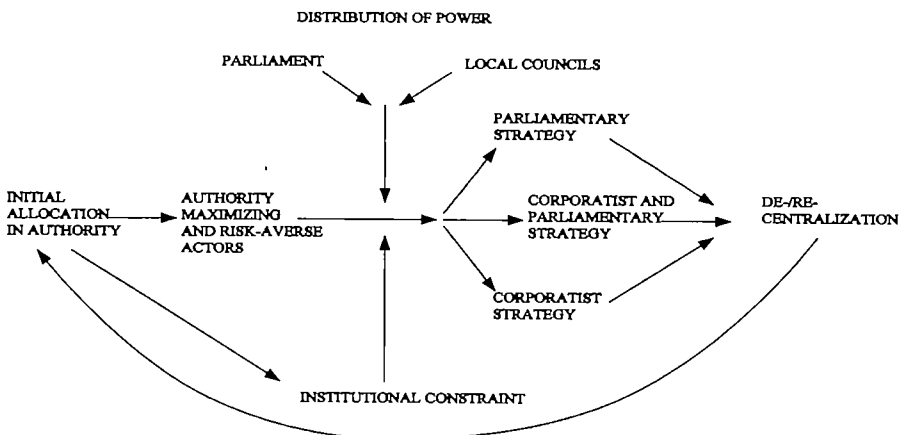


FIGURE 1 *A dynamic model of decentralization and recentralization*

Social Democratic and Liberal politicians on a nonpartisan basis. As either of these parties is in a lead government or opposition position, the associations are in a strong strategic position when it comes to putting political leverage on the incumbent government. If the government meets their demands, it improves the odds for gaining the support of the lead opposition party. If, alternatively, the government goes against the local government associations, it both risks opposition from the lead opposition party and internal criticism from the governing party's local government élite.

Empirically, there are two implications from this argument. First, local governments are expected to be able to negotiate transfers of authority from central government and to defend their authority against both recentralization and against erosion from user boards. Second, local governments are expected to be vulnerable to central government intervention and even to recentralization if the parliamentary majority does not include the lead local government party, belonging to the opposition. In the latter situation, the local government associations face the risk that the parliamentary majority legislates without consulting, much less accommodating them.

ANALYSIS

Initial allocation of authority

The Danish local government reform is the name of a series of administrative reforms initiated in the second half of the 1960s, but implemented and further developed since 1970. The reforms were based on a radical geographical consolidation. Some 1,000 municipalities and 88 cities were merged into 275 municipalities; and 22 counties were reduced to 14. Together they have been made responsible for the provision of all important welfare services. The municipalities provide day care for children, the elderly and are also responsible for primary education. The counties run Denmark's psychiatric and general hospitals, as well as certain specialized services for disabled people and they also provide secondary education. Some of these functions were already municipal and county responsibilities before the reform, while other functions were decentralized later on. The idea was also that local governments should be given more discretion than in the old days. This meant both an intended expansion of the scope for local decision making and increased local autonomy pursuant to the removal of regulations authorizing central government agencies to overrule local decisions.

An important rationale behind the local government reform was to shift the incentives of local politicians and bureaucrats and an integral part of the reform was therefore fiscal. In the pre-1970 system, local governments had financed their activities from two sources, namely local income and property taxes and central government subsidies. These subsidies were refunded to local governments as a percentage of their current costs. The new rationale was to remove these specific, conditional grants and replace

them with general grants. However, the radical nature of this change led to fierce resistance and it was implemented step-wise (Lotz 1996, pp. 376–85).

The long-term impact of the reform is a true revolution in the Danish public sector. Local governments administer two-thirds of total public consumption. On the eve of reform, as seen in table 1, their share was 50 per cent. The change is not only due to the impact of the reform, it also bears witness to a tremendous expansion of the public sector. But once again the figures demonstrate how local government reform has made local governments the expansive parts of the Danish public sector and the true managers of the welfare state. In fiscal terms the change is equally dramatic. In the pre-reform public sector, the central government was the main sponsor of local governments. According to a pre-reform estimate, central government funding covered 70 per cent of total local government expenditure. For welfare services, the contribution to final costs varied from between 51 per cent for hospitals and 71 to 92 per cent for specialized social services (Hansen 1957). This pattern has changed entirely since the reforms were initiated. Taxes paid to local government have increased from 39 to nearly 58 per cent of gross expenditure.

The transfer of functional and fiscal responsibilities from central to local governments does not say much about local government autonomy. From the very beginning of the reform period, local governments have therefore reiterated a consistent set of demands:

- (1) transfer of more functional areas to them;
- (2) compensation by increased general grants whenever new responsibilities are moved from the national to the sub-national level, and whenever new policies increase their burden;
- (3) systematic deregulation of their activities in order to free them from central government oversight, especially in cases where this oversight is undertaken by bureaucratic agencies operating with some autonomy from cabinet ministers.

These positions were taken already in the early 1970s, and they were put forward with considerable consistency on any and all occasions

TABLE 1 *The changing structure of public sector finances (%)*

	1970/71	1975/76	1980	1985	1990	1995
Share of total public consumption						
– local governments	37.3	42.8	45.1	46.9	46.5	43.6
– counties	11.8	16.9	20.4	21.2	22.0	25.7
Fiscal contributions to local governments/ gross expenditure						
– general grants	–	9.6	13.9	9.3	11.4	13.7
– local taxes	39.2	42.3	36.7	39.4	43.8	58.4

Source: Statistiske Efterretninger, National Accounts, Governmental Finances, Local Government Accounts.

(Christensen 1991, pp. 123–7). Whatever the claims, they were met with opposition. The resistance came from two important sources, both representing professionals within the welfare sector. Thus, central government agencies responsible for the execution of these policies argued against transfer of responsibilities to local governments within their fields, against increased fiscal autonomy for local governments and against deregulation of national standards and norms. Finally, they also reacted against the removal of existing provisions for central oversight of local administrations. In their opposition against further decentralization, they found support among unions representing professional groups such as primary and secondary school teachers, doctors and psychiatrists and social workers of all kinds. To understand this alliance, it is important to realize that these agencies have a functionally defined jurisdiction. It overlaps perfectly with the membership of professional unions and agency staff and management are primarily recruited from professionals.

INSTITUTIONAL CONSTRAINTS, DISTRIBUTION OF POWER AND STRATEGIC CHOICE

The transfer of authority from central to local governments is clearly a legislative matter. In a parliamentary democracy like the one prescribed by the Danish constitution, this is the joint responsibility of the government, who prepares and proposes a bill, and Parliament which discusses and votes on it. A logical implication of such constitutional reasoning would also be that it is the responsibility of the legislative branch to regulate in substantial terms the policy standards to be applied by welfare-providing institutions.

Historically, this was not so. Strong corporatist institutions developed early in the twentieth century. They are based on close interactions between central government and interest organizations with extremely high mobilization rates within their target groups. This is the case at the cabinet, the departmental, and the agency level. A reorganization of Parliament in 1971–72 led to the creation of a network of standing committees. Their jurisdictions perfectly match those of government departments. Thus, in institutional terms, Danish politics is both strongly corporatist and highly sectorized.

Parliamentary and corporatist institutions are not only structurally linked. Fairly consistent rules of the game regulate interactions between central government and interest organizations. According to them, affected and organized interests were routinely consulted by government departments before decisions were made on any matter concerning them. The exceptions from this norm indicate that corporatist bargaining is a matter of privileged access of certain interests at the expense of others. However, it also implies that the norms are dynamic and subject to adaptation because strategic considerations induce government departments and political executives to reinterpret the norms, and because existing norms provide interests hitherto excluded with legitimate grounds for demanding

inclusion by analogy. By such strategically motivated inclusion of new actors into corporatist bargaining relationships, the distribution of power within the corporatist system is assumed to change over time (Blom-Hansen and Daugbjerg 1999).

The distribution of power in Danish parliamentary politics is strongly influenced by the fact that Parliament is made up of several parties, many of which therefore have to join to form a majority coalition. This pattern persisted during the 1980s and the 1990s. Nine different governments were in power during this period. Two were Social Democratic minority governments and the rest were coalitions of two to four parties. With two exceptions, not even the coalitions had a majority in Parliament. One partial exception was the four-party Conservative-Liberal government between the 1984 and the 1987 elections. Based on parliamentary support from the Radical-Liberals, it had a *de facto* majority on economic and fiscal policy issues. The other partial exception was the four-party coalition led by the Social Democrats in 1993–94.

Considerable uncertainty results from this distribution of power. The government can never be certain of finding a majority to support a specific policy. It even runs the risk that, although they disagree on most issues, parties in opposition will form a coalition on a specific issue, thus forcing through their policy against the government parties. This may occur because of substantive agreement between all opposition parties or because opposition parties want to demonstrate the parliamentary weakness of the government. It happened several times between 1982 and 1993 when a Conservative-Liberal coalition ruled Denmark with the support of the Radical Liberals (Damgaard 1992).

In strategic terms, this raises the question of whether there are ways to minimize this uncertainty. This will be the case if prior consultation with interests outside Parliament reduces the risk that political parties either obstruct the policy or put forward amendments that the minister in charge will have to negotiate and reconcile on a formula, and thus gain majority support. Alternatively, the same is also true if policy can be negotiated and decided without parliamentary involvement.

In either case, corporatist bargaining provides political and administrative actors with an alternative, uncertainty-reducing strategy. This strategic rationale for corporatist bargaining is confirmed through analyses of corporatist participation in government. Close interaction is the general pattern. Considering policy-related variations in these interactions, contacts are especially close when it comes to government departments responsible for the provision of welfare and other public services. More important, corporatist bargaining is effective as an uncertainty-reducing strategy from a governmental and bureaucratic perspective. Bills prepared through this process, and thus supported by the consulted interests, have a comparatively easy journey through Parliament (Damgaard and Eliassen 1980).

In a corporatist system like the Danish one, legislation via parliamentary

decision making is not the only policy-making procedure. Collective agreements negotiated between the government and public employee unions are valid and attractive alternatives to both parties. The government and the unions see an opportunity to reduce uncertainty and to limit the number of bargaining partners. Therefore, governmental employers and public sector unions both have an incentive to use them. However, the collective agreements of the public sector labour market have often moved far beyond the regulation of salaries, working hours and other standard working conditions. They also contain provisions that have consequences for staffing and minimum service standards. In particular, agreements covering the labour-intensive welfare-providing institutions have these characteristics which are rarely found on the private labour market. National policy standards are thus fixed through corporatist – and extra-parliamentary – institutions (Lotz Committee 1987 and 1988).

Public sector unions (primary and secondary school teachers, nurses and doctors, social workers of all kinds) as well as local government associations are integrated into these corporatist institutions. Therefore, decisions concerning the allocation of authority between central government and local government involve both the government and interest organizations representing public employees and local interests respectively. For these three types of actors, who very often have conflicting interests, the choice of strategy is vital to the effectiveness with which they can pursue their interests. Thus, even if public sector unions may have a preference for national as opposed to decentralized policies, they also have a strong incentive to enter into negotiations with local government interests.

The same logic applies to local governments. If they did not engage in negotiations with the government, they would risk seeing their counterparts make a deal with an equally risk-averse departmental minister and his civil servants. They, for their part, also have an incentive to make a deal with both parties. If they do not, they risk their – ideal – policy being vetoed by a parliamentary majority. Ministers and civil servants know that Parliament and political parties are not the prime targets of interest organizations of either type. But they also realize that if organized interests provide Parliament with information about missing consultations and lack of accord, it will become extremely difficult for a government without majority support to get its legislation through Parliament.

NATIONAL REACTIONS TO DECENTRALIZATION

Assuming that actors are authority maximizers, a large-scale transfer of authority to local governments like the one which took place during the 1970s is expected to trigger a counter-reaction from national actors, i.e. parties in Parliament, central government and central government agencies. Local governments often complain that national actors who decentralize one day withdraw the authority thus delegated the next day. This section analyses that issue. First, parliamentary interventions in issues concerning

the provision of welfare services are analysed. Next, a similar analysis is conducted for central government interventions. Third, the consequences of shifts in the distribution of power at the national level are analysed.

Table 2 provides information on parliamentary interventions in welfare services provided by local governments. The interventions range from questions over interpellations and decisions, to government and private bills. Only by voting on bills can Parliament make constitutionally binding decisions. However, through interpellations and decisions a parliamentary majority can induce the government, or typically a specific departmental minister, to political action. In a system with minority governments, often based on politically fragile coalitions of two or more parties, these interventions entail low-cost political opportunities for opposition parties to demonstrate the government's lack of parliamentary power. As to questions, they are devices for control and information. They are not allowed to lead directly to a decision. Yet, they are a means for parties and individual MPs to make themselves visible, and a barometer of change in political focus and shifts on the public agenda.

Since 1980, Parliament has shown considerable interest in the provision of welfare services by local governments. Hospitals, especially, have been in focus, but also primary schools, childcare and care of the elderly have attracted parliamentary attention. Only secondary schools have been more or less neglected. But only in exceptional cases do their interventions lead to a constitutionally and/or politically binding decision; 92 per cent of all interventions resulted in no decision at all. However, there is a conspicuous difference between welfare services. The more decentralized a particular welfare sector, and the more this decentralization is rooted in historical tradition, the more parliamentary interventions take place. But equally interesting, interventions in the two most decentralized sub-sectors, i.e. hos-

TABLE 2 *Parliamentary intervention in issues concerning the provision of welfare services 1980/81–1994/95 (%)*

	Child care	Elder care	Primary schools	Secondary schools	Hospitals
Questions	73	87	74	74	87
Interpellations	2	4	3	4	2
Decisions*	14	4	8	13	5
Government bills	7	3	10	9	5
Private bills	4	2	5	1	1
N = 100%	146	172	244	90	613
No decision	89	95	87	87	94
Parliamentary resolutions	3	1	3	4	1
Laws	8	4	9	9	4

Sources: Folketingets Register og Årbog. 1980/81–1994/95
Folketingets Forhandlinger 1980/81–1994/95.

*Decisions voted by a parliamentary majority on the basis of either an interpellation or a proposal for a decision. Both are instruments through which a majority can commit a government to political action.

pitals and care of the elderly, rarely lead to a decision. For the other sectors the pattern is also parliamentary questions and policy initiatives that fail to deliver decisions, even if the probability for a binding decision is considerably higher in these areas than in the decentralized areas that enjoy the most parliamentary attention at national level.

Although the government has strong incentives to enter into corporatist bargaining with local interests, it can hardly ignore MP concerns, often shared by government MPs. Furthermore, when opposition parties use the interventions to hold the government accountable for current developments within the welfare sector, the government must see these interventions as, to some extent, harmful to its electoral appeal. This confronts the government with a dilemma. It can continue to pursue its corporatist strategies, thus accommodating local government interests. Or it may accommodate the concerns of national politicians by initiating recentralization policies, requesting local governments to meet specific standards in the welfare-providing institutions.

One way to escape this dilemma is to put these resource and equity concerns on the agenda of the annual fiscal negotiations between the central government and the associations of local governments. This institution was developed during the 1970s. Since 1980 it has become the framework within which the central government negotiates the fiscal restrictions that guide local governments' preparation of next year's expenditure budgets and tax rates. The agreements are joint recommendations committing municipalities and counties to approach an average change in expenditure budgets and tax policies (Blom-Hansen 1999).

In this general form, the annual agreements do not compromise the political autonomy of local governments. The agreements can be seen as central government pursuing the general interest by restraining otherwise autonomous actors with no incentive to respect collective welfare goals at the societal level. But the agreements allow the government to combine general fiscal responsibility with passing on the political costs of implementing restrictive measures to sub-national actors. Further, for a government perceiving the concerns of MPs in general and parties belonging to the opposition in particular, the negotiation of the annual agreements might provide an occasion to recentralize certain welfare issues. This can be accomplished through clauses committing local governments to spend more money on specific services or to improve service standards.

Table 3 shows all agreements since the fiscal year 1980, classified according to whether or not they contained sector-specific clauses. This was the case for most years at the beginning and at the end of the period. These clauses were not restricted to welfare services. Therefore, a distinction is made between clauses directed towards these services and clauses directed towards other sectors (energy, environment, roads, social transfers, etc.). Another distinction concerns the character of the clauses. They are classified as expansive if they either permitted or committed local governments to

TABLE 3 *Sector specific clauses in annual budgetary agreements between central and local governments 1980–96*

Fiscal year	Local governments		Regional governments	
	Expansive	Restrictive	Expansive	Restrictive
1980	Other sectors	Welfare services	Other sectors	Welfare services
1981	Other sectors	Welfare services	Other sectors	Welfare services
1982	Other sectors	Welfare services	Other sectors	Welfare services
1983	Other sectors	Welfare services	Other sectors	Welfare services
1984	–	Welfare services	–	Welfare services
1985	–	–	–	–
1986	Unilateral government decree			
1987	–	–	–	–
1988	Welfare services + Other sectors	–	Welfare services + Other sectors	–
1989	Other sectors	Welfare services	–	–
1990	–	Primary schools	–	–
1991	–	Other sectors	Primary care	Secondary schools
1992	Welfare services	–	–	Other sectors
1993	Welfare services	–	Hospitals	Other sectors
1994	Welfare services	–	Hospitals	–
1995	–	–	Hospitals	–
1996	–	–	Hospitals	–

Source: Ministry of the Interior (1988): *Aftaler og henstillinger vedr. den kommunale økonomi i 80-erne 1990–96: Annual Agreements.*

expand expenditure or improve service standards in spite of an agreement to show general fiscal restraint. They are classified as restrictive if they set up more restrictive terms for specific policies than the general fiscal clauses. This is the case if they recommend that local governments either cut costs or tighten existing service standards within fields specifically defined in the agreements.

Even though the annual budgetary agreements – with few exceptions – contain specific clauses, they hardly point towards a recentralization. First, during the early 1980s, clauses were restrictive for welfare services, but expansive for other sectors (energy, environment, and public transportation). Second, they have been expansive for the welfare services since the early 1990s. The hospital sector, especially, has attracted the attention of central government. The result was a series of agreements that set up specific clauses on the expansion of surgical capacity, improvement of service standards and reduction of waiting lists. Many of these clauses are extremely specific as they also delineate specific categories of patients as recipients of these improved services. This might be seen as evidence of an increased propensity of central government to intervene in areas of local government discretion to set their priorities for welfare services. A law from 1991 has introduced a new form of index-linked social transfers. Social transfers have to follow real wages, but the law allocates part of the resources created through this formula to a funding scheme. The reserves

accumulated in this fund are to be spent by local governments on earmarked initiatives directed towards specific target groups, for example psychiatric patients, disabled persons, ethnic minorities and dysfunctional families with serious child care problems (Ministry of Finance 1996 a, pp. 415–18). The specific focus on welfare services in the 1996 edition of the annual survey of local government budgets and the parallel ‘understanding and voting agreement’ supports this interpretation (Ministry of Finance 1996b and c).

Other evidence advises caution before this conclusion is drawn. The behaviour of local government associations in negotiations over the following year’s budgetary agreement is often marked by extreme ambiguity. On the one hand, they raise significant protest on any clause that commits them to specific measures within a specific sector or earmarks resources for such pre-defined purposes. On the other hand, these very clauses allow them to press the central government for fiscal leniency or for increased general grants to compensate for the burden of the obligations forced upon them by a centralizing national government. Against this background, the conclusion has to be balanced. Still, there is strong concern in both Parliament and central government about the way in which local governments execute their functions as the principal providers of welfare services. As corporatist institutions rather than Parliament deal with these issues, the result is a complex give-and-take bargaining.

The analytic model in figure 1 stresses the importance of the distribution of power as a conditioning variable. A minority government can do little on its own. Further, it is constantly confronted with the uncertainties of a divided Parliament. The ambiguity in central government policies towards local governments may therefore be caused by the fact that the typical governments of the 1980s were minority coalitions without majority support in Parliament. Under these circumstances, it is impossible to know whether a majority government would have dealt differently with local governments.

There is a basis for a critical test of this counter-factual hypothesis. First, between the general elections of 1984 and 1987, the Conservative-Liberal four-party coalition had the support of the small radical party. This was clearly the case on all issues concerning macro-economic and fiscal policy. The government could thus act as a majority coalition. On one occasion, namely in 1985, the government used this power against local governments. As they refused to meet the government’s tough fiscal standards, the government decreed conditions. A law introduced a tax on local government investments. It was voted after local governments’ decisions on next year’s budgets and after the local elections. Further, the law introduced a cut in general grants as a sanction against local governments breaking the government’s recommendation not to let their real 1986 expenditure increase above the 1984 level (Mouritzen 1991, pp. 126–7; Blom-Hansen 1999). The episode demonstrates what a government may do if they com-

mand the requisite parliamentary strength, even when it is in violation of the rules of corporatist bargaining that are so characteristic of central-local government relations. It also demonstrates the fragile power of the government, because when the law met fierce protests from local politicians it was never consistently implemented. So, during the 1986 negotiations regarding the 1987 budgets, the government acknowledged this and returned to a more accommodating strategy (Mouritzen 1991, pp. 333–44).

No subsequent government has enjoyed the support of a parliamentary majority. However, in November 1995 the three-party coalition led by the Social Democrats that was formed after the 1994 election negotiated a compromise on the 1996 budget with the Conservative People's Party. This agreement is remarkable because of its very specific clauses. Some of them intervene directly in the traditional autonomy of county governments to run hospitals according to their own political priorities (Ministry of Finance 1995, pp. 8–9). Similarly, the 1997 budget was based on a compromise with the People's Socialist Party and the Center Democrats, both parties with no particular stakes in local politics. Part of the deal was the transfer of assessment of corporate taxes from local to central government (Ministry of Finance 1997). This potential for recentralization strategies may also be inherent in corporatist institutions. So, in 1998 the government got through with a bill closing down the municipal food control units while transferring the task to regional units set up by the National Food Agency. The local governments protested, as did the Liberal Party. However, the Agricultural Council, the other interest organization heavily affected by the proposed reform, supported it, and a broad majority in Parliament voted for the bill. (Folketingets Forhandlinger 1997–98, 2.s.).

MULTI-LEVEL INSTITUTIONS AND THE TRANSFER OF AUTHORITY

Corporatist institutions establish a linkage between individual local governments and central government. As corporatist actors local governments are special in several respects. First, like central government, they have their own democratic platform through direct elections to municipal and county councils. This gives them a legitimacy of their own that is not derived from the legitimacy of national representative institutions. Second, the same political parties operate on the local and the national levels. As a result of the internal organization of national political parties, local politicians enjoy a prominent position within their parties. The important role of local government in the management of the public sector further adds to their importance in dealings with their national party fellows. Third, the internal structures of the national associations of local governments further add to the interdependence of local and national politics. The boards of both associations are appointed according to a proportional formula. The relative success of the parties at county elections determines their representation

on the boards of both the National Association of Municipalities and the Association of Danish Counties.

The party system resulting from local elections diverges significantly from the national party system. Whereas Parliament is fractionalized and marked by electoral volatility, the opposite is the case in municipal and county councils. Here two parties have dominated throughout this century. The Social Democrats and the Liberals have had a majority of the votes at every election since 1970. Below these aggregate results, the two parties are even more dominant. Over long periods, many municipalities and counties experience a stability in the vote for either of these parties that secures one of them a majority or a near majority in the council. As a consequence, mayors are predominantly Social Democrats and Liberals. Lastly, the presidents of the two associations are either Social Democratic or Liberal mayors.

Both associations pursue a strictly non-partisan line in their policies. This also applies to their dealings with the central government. Their non-partisan line is an operational condition for both organizations. If they did not emphasize the non-partisan character of their policies, the two organizations would disintegrate, and they thus pursue what they on solemn occasions call 'the local interest'. This is not very difficult, as partisan divisions are of little consequence in local politics (Mouritzen 1987). The implications for the interactions between the local level and the national level, however, are tremendous.

At the national level either the Social Democrats or the Liberals have been represented in the government since 1970. A government considering a harsh move against 'the local interest' will meet resistance and criticism within one of its parties, as the party's local government wing makes it clear to their party fellows that this is not acceptable. Similarly, an opposition party occasionally tempted by an opportunity to play out its own wing within one or another of the associations of local governments does not go far. It will meet resistance and an outright lack of understanding. Playing politics in this way would simply threaten the cohesion of the two associations. They have therefore, without exception, fought off any attempt to draw them into parliamentary politics by either their party fellows in the government or the opposition.

The interdependence of national and sub-national politics adds the strength of local interests in negotiations with central government. It stresses that there are few, possibly no ways in which central government can escape its dependence on the support of local interests. First, it strengthens the incentive for corporatist bargaining. Intra-party pressure is added to the uncertainties ensuing from the parliamentary politics of the Social Democrats and the Liberals. Second, the local government wings of these two parties are always ready to argue for more decentralization and against recentralizing moves from central government and other national politicians. Third, this endows bargaining between central government and the associations of local governments with an asymmetry that tilts to the advan-

tage of the latter interests. Central government actors are much more dependent on the support of their local counterparts than vice versa. Finally, it is impossible for the central government to break up the non-partisan basis of the associations' policies. The associations always know that they will find support for important parts of their claims both within an influential party belonging to the government and a dominant opposition party.

These multi-level interdependencies are expected to provide a dynamic process of decentralization in which authority-maximizing local governments are the winners. To test this hypothesis, the development in the central regulation of primary schools was analysed. The background is initiatives taken in the mid-1980s to reshape school governance (Christensen forthcoming). The basic principles were parents' free choice of schools, a quasi-market system of resource allocation to individual schools, directly elected school boards, stronger headmasters and a re-allocation from central to local governments and from local governments to the boards and headmasters of individual schools. The Teachers' Union met these proposals with fierce opposition. They argued that a decentralization of this nature would come into conflict with the principle of a *national* primary school and usurp any idea of equity in primary education irrespective of geographical location.

The National Association of Municipalities also reacted. Rather than outright rejection of the minister's ideas, they bargained with both the minister and the union. Simultaneously, the minister negotiated with the parties represented in Parliament's standing committee for education. The result was a compromise that led to a bill voted by Parliament in 1989, in force from 1990. The quasi-market idea was given up, while it was left to local governments to set up a policy for school choice and to define the precise authority of directly elected school boards. Two other reforms soon followed. One transferred full employer responsibility for primary school teachers to local governments. Another part of the collective agreement between the Teachers' Union and The Ministry of Finance replaced the old work norms for teachers with a new system, which was supposed to be more flexible. The initial negotiations took place within the institutional system, described earlier in this paper, where corporatist and parliamentary institutions co-exist and actors simultaneously pursue corporatist and parliamentary strategies. However, they also revealed how multi-level institutions come into play. During the negotiations, the National Association of Municipalities shared a common desire with the minister to decentralize more authority to local governments. The Association also agreed with the Teachers' Union that important transfers of authority below the local government level should be blocked. At the national level, the minister, the association and the union realized that they risked getting nowhere with their particular demands if they did not reach an understanding before presenting the bill to Parliament. This was probably also the reason why

the minister dealt separately with the standing committee for education before presenting the final bill to Parliament.

These multilateral negotiations placed local government interests in a pivotal position. The minister needed their support, but they also provided a defence for the union against a minister who attacked their goals. Finally, it was difficult for the minister to get anywhere in Parliament with his Liberal Party fellows as well as with the Social Democrats. Support from both sides was necessary in order to get a reform through Parliament, but both also had an incentive to listen to their colleagues who were active in local politics. The impact of these reforms, implemented from 1990 and onwards, is shown in table 4. First, an index of regulatory change measures the extent to which existing regulations were changed regarding specific functional areas that were important to the governance of schools. The regulation of teaching and teachers' working conditions was only slightly modified, but about half the rules regulating school organization and headmasters' responsibilities were changed. The same was the case with the intricate set of rules outlining regulations for the interaction between local schools, local governments, county and national authorities.

Regulatory change does not say anything about the reallocation of authority and the amount of discretion accorded specific agents. As an indi-

TABLE 4 *Reallocation of authority according to national regulation of primary schools 1988–94*

	Regulatory Areas									
	Teaching		Teachers		Head teachers		School organization		Public governance	
	Index	N	Index	N	Index	N	Index	N	Index	N
Index of regulatory change ¹	32	282	29	375	45	144	51	66	46	352
Index of relative autonomy ²										
Agents										
– Local governments	0.20	81	0.20	184	0.12	68	0.13	23	0.24	185
– School boards	0.10	20	0.50	2	–	–	0.44	9	0.13	8
– Head teachers	0.09	54	0.17	6	0.06	18	0.16	19	0.05	22
– Teachers	0.01	94	0.07	45	–	–	–	–	0.14	7

Source: Database on central regulation of Danish primary schools. The database contains information on all legislative and administrative regulations and collective agreements issued until 1994

1 The index of regulatory change indicates relative change in primary school regulations before 1990, the year after the school governance reform. The index is calculated as the percentage of total regulations in force at the end of 1994 which were changed during the 1990–94 period.

2 The index of relative autonomy measures changes in regulatory scope for specific groups of agents in different regulatory areas. The index is calculated as the relative share of regulations issued from 1990 to 1994, which increased the discretion of the agent through either the removal of a regulation or through its liberalization.

cator of this parameter, an index of relative autonomy was calculated, which measures the extent to which particular agents have seen their amount of formal discretion, as defined by national regulations, expanded because of the reforms of the 1990s. Based on this indicator, local governments come out as winners. In nearly all regulatory areas (teaching, teachers' work conditions, headmasters' responsibilities and work conditions and public governance), they are the agents who have been accorded most autonomy. The teachers were the other big winners in this contest over the allocation of authority. As we can see, comparatively little happened which affected their position within the primary school system. They had to swallow decentralization to local governments. They also had to swallow both school boards and formally more powerful headmasters. They did not expand their sphere of formally defined autonomy. They did, however, avoid central rules that transferred formal authority to directly elected school boards and to headmasters endowed with specific hierarchical powers over their affairs.

The primary school reforms, initiated during the 1980s by an entrepreneurial Minister of Education and implemented during the 1990s, are a triumph of corporatist bargaining. Not only do they demonstrate the formidable power of corporatist actors in a divided parliamentary system, they also show how corporatist interests can define the limits of change as it occurred through the short-term strategic alliance between the National Association of Municipalities and the Teachers' Union. This is the traditional demonstration of the conservative bias of corporatist institutions in setting up effective veto points. A government and a Parliament split between many parties will have difficulty surpassing them. However, there is an important additional lesson to be learned from this series of consecutive reforms. Here one of the actors, the National Association of Municipalities, was an authority maximizer and thus interested in some, but clearly not any, change. Because of its incorporation into corporatist institutions, the National Association had guaranteed access to bargaining over the future allocation of authority. This was not, however, a sufficient condition for an outcome that met its demands. Bargaining might just have ended without a compromise acceptable to them as well as to the minister and the union. But the association had the further strategic advantage of being the only actor capable of exploiting the dynamics inherent in a system of multi-level and interdependent institutions.

THE DYNAMICS OF INSTITUTIONAL ADAPTATION

Thus far, institutions have been treated as constraints within which authority-maximizing actors strive to pursue their goals. These constraints have been constant during most of the period. Still, authority-maximizing local governments have been successful in their strategic use of institutions and power distribution, both favourable to the pursuit of their own goals. The result is a fairly unequivocal transfer of authority from central to local

governments. Until now, this transfer has not been interrupted by any important recentralization.

Let us assume, however, that the institutions are not constant. As reallocations of authority change the institutional balance between central and local government, further institutional adaptation might result. This happens if the transfer of authority creates new actors or if it compels existing actors to adapt their strategies. Such institutional dynamics are operative. Thus, the local government reform and the expansion of the welfare state during the 1970s changed corporatist institutions. The newly created local government associations were incorporated into corporatist institutions. The same happened to public sector unions. The decentralization that has taken place during the 1980s and the 1990s may cause further institutional adaptation. The reforms of primary school governance analysed above have led to such institutional adaptation, and the process started soon after the reforms, continuing through the 1990s.

Local governments came out as the biggest winners of these reforms. Their formal authority in school matters is vastly increased. This first of all led the Teachers' Union into a process of intra-organizational change and strategic adaptation, as local governments are responsible for several issues of vital importance to its members. We therefore saw decentralization within the organization during the first part of the 1990s. Local secretariats were established and expanded and strong local union representatives were elected to cope with the powerful local governments. Second, another indication of the potential institutional dynamics pursuant to a long-term decentralization process is the changed position of headmasters. Before 1990 they were difficult to distinguish from other teachers. They belonged to the same union and they expressed identical interests both in educational policy and in union policy. The new laws give them a visible managerial status that they did not enjoy before 1990. This also caused institutional adaptation. Their small, and before 1990 invisible, association is now invited by the Ministry of Education to be heard along with other interests in the process of corporatist interest mediation. More importantly, the organization has split away from the Teachers' Union (Christensen, 2000). Third, in the collective agreements negotiated between the National Association of Local Governments and the Teachers' Union in 1999, it is laid down that all agreements concerning teaching norms are entered into between the municipal council and the local branch of the union. At the schools themselves the agreement similarly emphasizes the headmaster's obligation to negotiate the organization of teaching and other school work with the school's teachers in general and their shop steward in particular. If they do not reach an agreement, a default clause moves the issue to the central level (Kommunernes Landsforening *et al.* 1999).

CONCLUSIONS

The analysis of the reallocation of authority within the Danish public sector demonstrates the weight given to authority-maximizing goals by local governments. They have managed to reach these goals, and their success is explained by a combination of institutional and power variables. These power variables are extremely favourable to change-oriented actors who confront a government for which it has been all-important to reduce the parliamentary uncertainty that threatens its policies.

There are three general lessons from the analysis presented here. Two of these concern the role of corporatist institutions. First, these corporatist institutions are often perceived as sheer conservative factors. The conclusion is that this is not necessarily so. Given certain contingencies (change-oriented goals for certain actors and asymmetric dependencies in favour of these actors), dynamic change is going to take place within the public sector. Second, the involvement of two or more corporatist actors with different ideal policies increases the strategic position of, for example, a change-oriented minister or government. Third, multi-level institutions have been shown to reinforce these dynamics of change. Together these three conclusions point to the importance of the contingencies associated with the combined configuration of institutional rules and power.

These contingencies generate three questions that require further analysis. First, in which direction will further changes move? The answer is that it depends on the distribution of power. If it shifts in favour of central actors, then a re-centralization process may be initiated. However, the process of decentralization may, alternatively, continue in a dynamic way if the ongoing transfer of authority to lower-level agents leads to institutional adaptation. Second, this analysis draws attention to a more systematic analysis and development of propositions on the conditions for change and reform in political systems that combine parliamentary government, corporatist institutions and big government. Third, the analysis also points to the importance of the poorly understood complexities of multi-level institutions.

REFERENCES

- Benz, A. 1995 'Institutional change in intergovernmental relations: the dynamics of multi-level structures', *European Yearbook of Comparative Government and Public Administration* 1, 551-76
- Blom-Hansen, J. 1997 'A "new Institutional" perspective on policy networks', *Public Administration* 75, 669-93.
- 1999 'Avoiding the "joint-decision trap": lessons from intergovernmental relations in Scandinavia', *European Journal of Political Research* 35, 35-67.
- Blom-Hansen, J. and C. Daugbjerg. 1999 'Magtens organisering', pp. 205-16, in J. Blom-Hansen and C. Daugbjerg (eds.), *Magtens organisering. Stat og interesseorganisationer i Danmark* Aarhus: Systime
- Boston, J. et al. 1991. *Reshaping the state New Zealand's bureaucratic revolution* Auckland: Oxford University Press
- Christensen, J.G. 1991. *Den usynlige stat* Copenhagen: Gyldendal

- . 2000. 'A conditional success: governance and devolution in the Danish school system', in M. Arnett and C. Raab (eds.), *The governance of schooling* London: Routledge.
- Christiansen, P. M. and N. C. Sidenius. 1999. 'Venner for altid? Samspillet mellem centraladministration og interesseorganisationer', pp. 21–35, in J. Blom-Hansen and C. Daugbjerg (eds.), *Magtens organisering. Stat og interesseorganisationer i Danmark*. Aarhus: Systime.
- Crozier, M. and J.-C. Thoenig. 1976. 'The regulation of complex organized systems', *Administrative Science Quarterly* 21, 547–70.
- Damgaard, E. 1992. 'Denmark: experiments in parliamentary government', pp. 19–49, in E. Damgaard (ed.), *Parliamentary change in the Nordic countries*. Oslo: Scandinavian University Press.
- Damgaard, E. and K. A. Elhassen. 1980. 'Reduction of party conflict through corporatist participation in Danish law-making', *Scandinavian Political Studies* 3, 105–21.
- Folketingets Forhandlinger. 1997–98. 2. Session, Betænkning til lovforslag no. 9 (fødevareloven) afgivet af udvalget for Fødevarer, Landbrug og Fiskeri, 16 June 1997.
- Hammond, T. H. 1996. 'Formal theory and the institutions of governance', in *Governance* 9, 107–85.
- Hammond, T. H. and J. H. Knott. 1999. 'Political institutions, public management, and policy choice', *Journal of Public Administration Research and Theory* 9, 33–53.
- Hansen, K. 1957. 'Udviklingen i det offentlige indtægter og udgifter i Danmark siden 1929', *Økonomi og Politik* 31, 168–84.
- Kommunernes Landsforening et al. 1999. *Forhandlingsprotokol, bilag 2, Arbejdstidsaftalen* (Protocols on agreements between the National Association of Municipalities and the Teachers' Union).
- Le Grand, J. and W. Bartlett (eds.) 1993. *Quasi-markets and social policy*. London: Macmillan.
- Lotz, J. 1996. *Retfærdighed eller økonomi i den offentlige sektor, Vol. I–II*. Copenhagen: Danmarks Forvaltningshøjskoles Forlag.
- Lotz Committee. 1987. *Amtskommunalt udgiftspres og styringsmuligheder*. Betænkning No. 1123. Copenhagen: Statens Informationstjeneste.
- . 1988. *Kommunalt udgiftspres og styringsmuligheder*. Betænkning No. 1143. Copenhagen: Statens Informationstjeneste.
- Ministry of Finance. 1995. *Aftale af 29. november 1995 mellem Socialdemokratiet, Det Radikale Venstre, Centrum-Demokraterne og Det konservative Folkeparti om finansloven for 1996*. Copenhagen: Schultz Information.
- . 1996a. *Budgetredegørelse 96. Velfærdssamfundets veje*, Copenhagen: Schultz Information.
- . 1996b. *Kommunal budgetoversigt*. Copenhagen: Schultz Information.
- . 1996c. *Finansloven for 1997: Forhandlingsresultater*. Copenhagen: Schultz Information.
- Moe, T. M. 1990. 'The politics of structural choice: toward a theory of public bureaucracy', in O. E. Williamson (ed.), *Organization theory: From Chester Barnard to the Present and Beyond*. New York: Oxford University Press.
- Mouritzen, P. E. 1987. 'The local political leader. Loyal to the national party or responsive to the local constituency', in *Scandinavian Political Studies* 10, 97–109.
- . 1991. *Den politiske cyklus*. Århus: Politica.
- Putnam, R. D. 1988. 'Diplomacy and domestic politics: The Logic of two-level games', *International Organization* 42, 427–60.
- Scharpf, F. 1988. 'The joint-decision trap: lessons from German federalism and European integration', *Public Administration* 66, 239–78.
- Schwartz, H. 1994. 'Small states in big trouble. State reorganizations in Australia, Denmark, New Zealand, and Sweden in the 1980s', *World Politics* 46, 527–55.

Date received 31 August 1999. Date accepted 19 January 2000.

DEVELOPMENTS IN POLICY ANALYSIS AND EVALUATION IN ISRAELI PUBLIC ADMINISTRATION

IRIS GEVA-MAY AND AHARON KFIR

Established in 1948, Israel can be considered a new developing state in transition; on the other hand, it can be viewed as a modern western society and the only strong democracy in a rather unstable region. While the former implies lack of public administration tradition and the need to invest in basic infrastructures, the latter requires, among other responsibilities, the adoption of norms of systematic policy planning and accountability. In Israel, security problems, limited (and loss of) resources, lack of stability and huge waves of immigration have displaced more mundane issues such as administrative reforms and systematic policy planning approaches. From its inception, there was constant criticism of the state's lack of established norms, functions, and skilled practitioners, particularly in policy analysis and evaluation. At first the criticism came from academia (especially Dror 1968, 1971), but in time it crossed lines and was raised by parties and Members of Parliament (the Knesset), and constituted a major issue in the work of different committees concerned with reforms in the public service and in government reorganization.

This paper (1) will discuss the main reasons for the shortcomings of Israeli public policy analysis, evaluation and planning, and (2) will present shifts in conceptualization during recent years, with regard to systematic policy making.

PUBLIC ADMINISTRATION AND PUBLIC POLICY MAKING IN ISRAEL: HISTORICAL INFLUENCES

Today's national and global challenges require effective policy making. The complexity of tasks in the government and in public service at this time makes necessary a sophisticated political and administrative leadership capable of planning policies systematically and of carrying them out efficiently. Policy making is a subset of public administration, and efficient policy making is the product of adept functions embedded in public administration. Levine and Sanger (1994) argue that even the most ingenious of ideas cannot be carried out without proper policy-performing functions, such as systematic policy-making processes which include concern with policy analysis, policy evaluation and implementation planning. Indeed, these claims were made as long ago as 1968 by the Israeli scholar Dror but, for a long time now, the Israeli public system does not seem to have been able to follow this view.

Iris Geva-May and Aharon Kfir are in the Department of Political Science, University of Haifa, Israel. An earlier version of this paper was presented at the 18th Annual Research Conference of the American Association of Public Policy Analysis and Management, Pittsburgh, 18 Nov. 1996.

What is the situation in Israeli public administration and public policy?

The particular origin of the State of Israel accounts for its peculiar administrative structure and culture – which in turn, affects policy making and the conceptualization of systematic processes. While the rise of policy analysis and policy science in western countries has mirrored the rise of the welfare state and the need for governmental planning of policy sectors which necessitated analytical policy science support, in Israel the outcome has been different.

The State of Israel was established in 1948. Its governmental and public policy structures were established and institutionalized at the same time as the state was still fighting for its independence and its very survival. In the turmoil of those years it was almost impossible to make rational systematic attempts to adopt normative approaches to public policy making and implementation. Policy analysis, evaluation and implementation (PAEI), as well as public administration and management patterns in general, were sporadically adopted and were essentially based on the two main approaches that preceded the new state's administration: that of the British colonial institutions developed by the Commonwealth Department in London (Israel being a British mandate until 1948), and that of national Jewish agencies which functioned parallel to the British institutions. The Jewish agencies' main aim was to bring to Palestine, and to ensure the security of, those who fled Europe before World War II or survived the concentration camps, to settle them, and provide them with financial support.

The two establishments had completely different conceptual and procedural patterns. The structure of the Commonwealth Administration was diffuse – there were more than forty state departments – while in the national Jewish agencies, such as in the Jewish Agency for Israel, there was a limited number of subdivisions (seven altogether). The activities of each of the British departments were well defined, and so was their range of responsibility. In the Jewish agencies there was no clear-cut allocation of activity or responsibility, so there was an unavoidable overlap with regard to policy making and implementation. This was the case especially in foreign affairs, social welfare, and settlement policies. In the British departments, policy making and policy implementation were based on general administrative normative approaches that had been developed over the years by the Commonwealth Department. The Jewish agencies' approach to policy making was pragmatic, based on improvisations, and on risk taking, and was, at times, dangerous (Reuveni 1988; Kfir 1995, 1997).

While the civil servants in the British departments consisted of well-trained professionals who were politically neutral, and acted in accordance with normative patterns developed over the years by the Colonial Office, the Jewish agencies were characterized by energetic political activism, internal politically oriented subdivisions, and strong nationalism.

As a result of the two parallel and completely opposed administrative

patterns prior to the establishment of the State of Israel, it can be claimed that the new Israeli public administration did not inherit any tools for systematic policy planning, analysis, evaluation and implementation (PAEI).

Because of the state's immediate and urgent needs, mainly as regards security and settlement in rather arid regions, there were areas such as security and agricultural planning that required well-designed plans and rationales, and well-thought-out implementation instruments. In these two fields the PAEI became relatively more advanced than in the less critical public administration domains.

Nevertheless, the overall pragmatic approach to public management was reinforced in the first years of the state by important achievements that occurred despite the very low likelihood predicted by experts. After the Declaration of Independence, since the new state was surrounded by five enemy countries, the debate among experts at the security level was whether Israel would survive for a few weeks or a few months (Sharef 1962). Any analytic planning in this situation would have been regarded as unfeasible.

The other domain was immigration on an unprecedented scale, requiring the absorption of hundreds of thousands of immigrants by an existing population of merely 600,000 (a growth of 100 per cent in 2–3 years and of 300 per cent in the following ten years – reaching two million in 1958). Experts in demography foresaw a maximum population growth of 100 per cent. Up to now the present the population of Israel has multiplied tenfold, from almost 600,000 to almost six million. These immigration rates could not be predicted. Even when population stabilizes for a while, any international event can have a domino effect on waves of Jewish immigration to Israel. According to the Law of Return, any person of Jewish faith is granted citizenship when s/he emigrates to Israel. The State of Israel, moreover, considers it its duty to save Jewish people wherever they are in peril: 100,000 were brought to Israel from Yemen in 1951, 200,000 from Iraq in 1950, thousands from Egypt after the war of 1956, 35,000 from Ethiopia in 1984 and 1993, and, from 1990 to 1995, approximately 800,000 immigrants arrived from the former USSR.

So that in addition to legitimating the tendency of non-reliance on analysis and supported planning, there were real obstacles that made forecasting and planning hard to achieve. Another factor was that, during its first 25 years, Israel was involved in six wars and long periods of military retaliations. The latter could not have been foreseen, and public policies affected by additional expenditure, manpower shortage, etc. had to be adopted as the events occurred. This was one more reason for the claim that any systematic policy analysis for long-term planning in Israel is futile.

Furthermore, on the budgetary level, the state's financial flow was hard to forecast, in terms of both expenditure and incomes. Most of the income was sporadic and came from various Jewish funds collected abroad, from loans, and from World War II reparations to victims of the Nazis. Also,

security problems resulted in loss of resources, and affected the level of foreign investment. Economic growth, dependent on unexpected factors, was rather unpredictable.

Indeed, things might have worked by default in specific situations and at certain times. But a random phenomenon cannot act as a justifiable tool or provide general guidelines for policy making in the intricate process of running a state. The existing and available knowledge of policy making and evaluation promises far better results in the long-run.

POLICY ANALYSIS AND EVALUATION IN ISRAELI PUBLIC ADMINISTRATION

As long ago as 1968, Dror openly proclaimed that evaluation and accountability are not priorities of public administration in Israel and that the reasons are primarily culture-related, or rather the result of the lack of an established administrative tradition in a newly developing state beset by troubles. Possibly one of the main impediments to the implementation of administrative reforms in Israel is that improvisation worked quite well, rather than systemic approaches to policy analysis and planning. For instance,

- economic growth, immigrant absorption, and high living standards have been achieved without rocking the public service boat by the introduction of analytical policy-making procedures;
- social security, and economic circumstances remain as unpredictable and uncontrollable as before;
- some of the norms that existed in the public service prior to the establishment of the state continue to influence its functioning, i.e. 'getting around' requirements of the law, 'helping' one's friends, or pursuing norms of 'naive socialism', for instance, giving equal wages to all government employees (Weinshall and Kfir 1994).

Indeed two studies, one by Schwartz over a period of eleven years, 1981–1992, and one by Geva-May (1996), point to a very low awareness of public service and a non-supportive culture in Israel. Evaluations are made, if at all, when a programme or policy is in trouble, or when it involves a large programme conducted by the state and very much in the public eye (Schwartz 1995).

Moreover, Israel has a large number of parties (twelve since the 1996 elections) and therefore there is a tendency to blur problems because of obvious disagreements within very diversified political governmental coalitions. In addition, the dominance of one major party over a long period of time (Dror 1972; Downs and Larkey 1986) has led to pragmatism and particularly to a lack of influence by experts and academia on public administration and policy-making patterns. The politicization of the public service, including political appointments, condemned in the 1970s, only became stronger as governments changed in the 1980s and then again in

the second part of the 1990s (Nachmias and Rosenbloom 1978; Galnoor *et al.* 1998).

The reasons for this situation lie not only in lack of awareness but with the lack of legislation or normative rules (PPC 1989; Caiden 1991, 1969; Dror 1968), and they are obviously interconnected. Both policy analysis and evaluation are left to the discretion of the various ministries or related agencies, and in the majority of cases neither have the awareness nor the basic expertise to carry these out. Studies (Geva-May 1996; Schwartz 1995) have indicated that, in government ministries, academic and professional background had a strong impact on readiness and awareness to undertake policy analysis or evaluation studies. For instance, while Geva-May found an increased number of policy analysis and evaluation reports and a high level of awareness of both in the Ministry of Health and in the Ministry of Education, Schwartz (1995) found significant differences in the number of projects and policies that had been evaluated over a period of eleven years between the Ministry of Social Security (where the majority are economists and statisticians) and the Department of Welfare.

The curious fact is the lack of guidelines, norms, rules or laws for enforcing evaluation or systematic policy analysis in the public service in Israel (PPC 1989). With the exception of the State Comptroller's Committee (and even in this case not all activities are evaluation or policy analysis related), there are no parliamentary committees directly and exclusively devoted to public accountability, and which rely on professional support in this domain as is the case in Britain, Canada, or the US. In the US, Congress can rely on evaluations performed by the Evaluation Unit of the GAO; in Canada there are systematic annual evaluation reports of each ministry's evaluation unit, and the Treasury Board's Review Reports. But in Israel this is not the case. In fact there is a gap between the formal accountability roles of various parliamentary committees and the actual tools of professional evaluation or policy analysis support. Furthermore, parliamentary committees do not have the legal right to oblige a minister or director-general to give evidence on his ministry's activities, nor do these committees have professional people to enforce evaluation procedures. Thus the only instance of actual normative guidance for accountability and evaluation has been provided by the reports of the General Accounting Office which call for the evaluation of certain programmes. They have pointed, repeatedly, to the lack of central functions that should advise the Prime Minister's Office, heads of ministries and other related agencies, regarding long-term policies and interdepartmental co-ordination.

Nevertheless, since the dynamics of the public service contexts require, among other procedures, that provision is made for functions such as policy analysis and evaluation, in time, the Ministry of Finance started fulfilling this role. Through its branches, the Treasury Board and the Government's Commission, the Ministry of Finance actually began performing the role of

co-ordinating other ministries and acting as evaluator of outcomes, and analyst and assessor of outputs.

This situation presents two main problems: according to the formal rules of governance in Israel the Ministry of Finance is not entitled to perform these roles, nor is it accountable for these functions, the responsibility being that of the Prime Minister. The second problem relates to the narrow focus of this ministry as opposed to the long-term multi-focus necessary for analysing, designing and implementing well-founded policies.

DEVELOPMENTS IN RECENT YEARS: ATTEMPTS AT SYSTEMATIZATION

A number of reasons led to the increasing demand among scholars, government officials and the public for systematic policy making, and for policy analysis and evaluation procedures within this context:

- increasing dissatisfaction with the existing policy-making patterns, i.e. in light of failures in the military-political arena (the shock caused by the October War when Israel was taken by surprise), the rebellion of the population in areas of the West Bank, unprecedented unemployment growth-rate, high degree of inflation, the consternation over growing emigration;
- the inadequacy of the existing policy analysis systems in light of obvious changes in modern times, i.e. technology transfer, international relations, economic concerns, fast pace of basic security situations (peace and war), mass immigration and impacts of human capital, increasing import of financial capital;
- the mistakes made over time such as lack of immigration channelling to Israel in periods of high drop out of potential immigrants to other western countries in the 1970s, not taking advantage of momentum periods in the peace-making process, economic development projects under the umbrella offered by the US at various times;
- the desire to imitate successful procedures implemented in other countries, dictated by the need to integrate in the global economy, the European market, international business, and follow countries that have successfully parted from traditional economies;
- the achievements of Israel in areas such as defence and the military, as well as agriculture, where policies have been more systematically analysed and implemented;
- the increasing involvement of the public, be they political or interest groups, in assessing government achievements and the degree to which declared policies are carried out effectively. In a democratic country, by definition, the public has the right to know how effectively policies have been formulated and carried out, and to keep the policy makers accountable. Accountability is and should be a major criterion for the trustworthiness of a democratic state. In Israel, this tendency is now strongly supported by the Supreme Court and the State Comptroller.

The developments emerging from the call for systematization in the public system over the last decade included mainly the 'The Public Professional Committee for the Re-assessment and Advancement of the Public Service' (PPC) in 1986, the '100 Days Committee' in 1996, and a number of commissioned position papers by academics. As with the public service reform attempts in the US, UK, France and India, in Israel, too, political windows were provided for systematization by changes of government. A change of Prime Minister within the same leading party in 1966 (Eshkol succeeded Ben Gurion – both being members of the Labor Party) led to the setting up of the Central Committee for Governmental Re-organization; while, in 1977, the main right-wing party, the Likud, came to power and attempted to initiate government and budgeting system re-organization. Alike, the two committees were born in windows of opportunity.

The Public Professional Committee for the Re-assessment and Advancement of the Public Service (PPC)

The work of this committee is considered to be one of the most important and influential attempts to re-formulate priorities and policy-making patterns in the public service, alongside issues of better co-ordination of government activities, ethics and values, and general improvements in the public service. The main recommendations of the PPC were based on an analysis of policy problems and were meant to facilitate effective policy making and policy implementation.

The 1986 political window that allowed the creation of the Public Professional Committee for the Re-Assessment and Advancement of the Public Service in Israel (PPC) was created when the two leading parties formed a wide coalition within an emergency Government of National Unity mainly in order to solve two major and urgent problems: the need to withdraw from Lebanon and the need to lower the inflation rate, which reached (for the first and last time in Israel) three figures. It was claimed that lack of adequate analysis and planning was one of the main reasons for what were seen as policy failures. Both signalled that there were deeper problems in the patterns of policy making in Israel or, in Roosevelt's terms, that some policies had been built on sand. Politically accepted by the two big parties, a national committee for the re-assessment and advancement of the government ministries and the public service agencies was set in motion. At that time, it seemed to have a good chance of implementation because over two-thirds of members of Parliament (the Knesset) supported its activity. Ever since, there has been a commitment by the Prime Minister's Office (then headed by two Prime Ministers on a rotation system, thus indicating clear support from both left and right, with a majority of more than two-thirds of Members of Parliament or 'MKs') and by the Government Commission ('Netsivut Hamedina') to pursue these recommendations.

The committee, chaired by H. Kubersky and bearing his name ever since, consisted of academic experts from the fields of public administration and

public policy (Y. Dror, A. Friedman, A. Kfir, M. Aharonov, A. Eran, M. Ghera and R. Guttman), and top government officials – present and past directors-general of government ministries, former ministers, representatives of the chief agencies and other public service practitioners. The budget allocated by the government for this investigation was in no way stringent and enabled the committee to act as required. The committee was based on eight working-groups whose mandate was to deal with administrative doctrines and future practices in the Israeli system: de-centralization of government functions; re-definition of staff functions in the government at the macro and micro levels; de-politicization in the public service; in-service and professional development of government employees; in-service and professional development of executives; the advancement of women in the public service; the advancement of minorities.

On all these issues of concern, the work of the PPC was based upon the following:

- (1) basic democratic principles and advanced administration and public policy-making doctrines;
- (2) reform and re-definition of policy planning, evaluation, analysis and implementation (PEAI), and
- (3) establishment and institutionalization of systems for advanced policy evaluation, analysis, planning and implementation.

In 1989, the PPC issued a two-volume report, which pointed out the shortcomings of the public service system and related agencies in Israel, and offered detailed recommendations. The report sought to provide non-personal formulation of findings with the emphasis on recommendations for reform and with full awareness that the recommendations required intensive mobilization of support along the political and public service spectrum. They were discussed with the two Prime Ministers who approved them, and then presented to the government which also approved them unanimously. The Minister of Finance was appointed by the government to supervise the implementation of the recommendations. Two governmental subcommittees were designated to assist in implementation, mainly with regard to cross-ministry co-ordination.

The findings pertained to the fact that the policy problems encountered were caused mainly by poor co-ordination among the various ministries and agencies dealing with main policy issues, unsophisticated skills of senior officials in policy-making positions, and the lack of comprehensive methods and tools for policy making and policy analysis. They were concerned with co-ordination patterns among ministries, development of manpower, and development of normative public service methods for systematic policy making.

The first recommendation under this heading was to introduce policy analysis, evaluation, research and planning in each of the governmental ministries and throughout the public service '... in order to entrench in the

government ministries and departments coordinated processes of planning, budgeting, evaluation and research through the entire process of decision making, policy planning and policy implementation'; as one of the 'most urgent needs in public administration in Israel... and as an integral part of the work of the Prime Minister's Office' (PPC 1989, vol. 1, p. 32). The committee's aim in making this recommendation was based on the principle that a government or related institutions should act in order to improve their learning and alternative choice making by systematically evaluating main projects and activities for the improvement of public administration. In their view, general directors should take responsibility for these issues.

The role of these units was expected also to raise the level of discussion, collaboration and co-ordination among ministries, and to improve the work of the Prime Minister's Office. The adoption of policy analysis and evaluation in all ministries was believed to facilitate co-ordinated inter-ministry policies and budgets over the long term (suggested period of three years), according to alternatives and priorities. It was recommended that each policy analysis unit should be located near the office of the director-general and should assist professionally in policy planning and implementation in the government ministries (PPC 1989, vol. 1, p. 10).

The committee concluded that government ministries should institutionalize processes of evaluation, discussion and reaching conclusions, based on the evaluation of results. Conclusions regarding efficiency and outcomes should be based on evaluation of results. The PPC nevertheless recommended that the evaluations should be done by units or persons who had not taken part in the planning process or by outside evaluators.

Another important recommendation concerned the professional level of those involved in policy analysis and evaluation. The PPC recommended that policy analysis, planning and evaluation should be performed by highly qualified professionals. Moreover, government ministries should train their staff in these aspects of policy making.

FOLLOW-UP

A number of attempts at implementation have been made over the years mainly, since 1994, under the umbrella of Next Steps definition (rather than the more presumptuous 'Reinventing Government'). This reached particular momentum with the opportunity window allowed for by the appointment of the new Head of the Government Commission, Prof. Galnoor, and his Chief Scientist, Prof. Dery, both experts in policy studies. So between 1994–1996 a number of changes towards a more systematic public administration was attempted with a shift of emphasis towards expertise. Their concern was mainly with accountability and transparency, de-politicization, academization and improvement of the expertise of civil servants. This included a fully-fledged proposal for an Academy for Civil Servants, and a number of pilot ministries were given administrative autonomy in plan-

ning and accountability issues, experts from academia were approached and position papers were commissioned (Galnoor *et al.* 1998).

The initiation of the Unit for Efficiency and Excellency and the efforts to implement the TQM programme in the Prime Minister's Office (although interrupted after the 1996 elections) are additional examples of attempts at the implementation of the PAEI and the adoption of a more systematic orientation to what public administration and public policy making implies.

Experts involvement and position papers were triggered by the PPC over the years. Such a position paper pertaining to policy analysis and evaluation in the public service was commissioned in 1992 by the Government Commission and recommended ways for attaining the PPC goals towards PAEI implementation (Geva-May 1992). The document produced advised that:

- (1) Next to each director-general's office there should be a headquarters unit whose role should be planning, policy analysis/research and budgeting, and feedback evaluation meant to provide data as regards goal feasibility, goal attainment, policy implementation, efficiency, and alternative choice.
- (2) The unit should be independent, both administratively and financially, in order to be able to abide by norms of reliability, objectivity and ethics. In cases which involve the director-general directly, the evaluation should be awarded to an external evaluator.
- (3) There should be sub-units for analysis and evaluation in the main divisions of individual ministries. These should be involved in policy analysis and planning at the micro-level of their divisions and in internal evaluations. The policy analysts/evaluators in each of these units should belong administratively to the head policy-analysis unit in order to protect their professional independence. Their work should be co-ordinated and brought to the attention of the head policy-analysis unit.
- (4) Database formation should be one of the major tasks of the head unit.
- (5) Both the head unit and the sub-units should have the budgetary freedom to employ and/or consult with experts and advisors.

In 1996, on the basis of the 1992 position paper, informal discussions with chief representatives of the government committee led to a tentative plan for implementation of the PPC recommendations as regards analysis and evaluation. The conclusions reached on the basis of that paper were that first and foremost, any tentative implementation project should take into consideration existing traditional and political impediments in the Israeli public service. It was agreed that a tentative implementation project should be offered on a pilot and volunteer basis to those government ministries where awareness of systematic planning and accountability was higher. Suggestions for action should be presented to a forum of directors-general of government ministries. The initiation of units or of established procedures for policy analysis and evaluation should be jointly planned and

tested. The planning should be undertaken at director-general level, both to achieve full commitment and also to accord political prestige to the pilot enterprise. Continuous reporting of the impacts of the establishment of policy analysis and evaluation units would be provided to an extended forum of directors-general – some of whom would not take part in the project. It was hoped that the positive impacts of systematic public policy management would attract additional ministries and related agencies.

The *'100 Days Committee'* was another follow up attempt at re-thinking public administration and related policy making in Israel. Ten years after the PPC, in 1996, the committee was also triggered by an opportunity window. The ruling Labor Party government, certain of its re-election and political power, owing to its support over the Oslo Agreement with the Palestinians, assumed that the time was ripe to place the re-organization of Israeli public administration on the agenda. The so-called *'100 Days Committee'* was appointed to examine, among other issues, the reorganization of government ministries and its work lasted one hundred days.

The main recommendations of the committee were related to a different allocation of functions to each government ministry and to more systematic policy making. Beyond the reorganization, the committee acted as a major policy analysis think-tank. It considered social, economic, educational, and budgetary policies. Led by a former director-general of the Ministry of Economics, Alon Liel, it relied on experts from academia and high officials in the public service to reach its conclusions and recommendations.

The unexpected change of governments after the 1996 election interrupted the final work of this committee and, once the opportunity window was missed, political concerns overshadowed the implementation of the recommendations. Although partially taken up by the new government, the new Prime Minister studied the report and declared his intention of implementing the recommendations made. Downsizing of some government ministries, closing of overlapping units in ministries, and the transfer of functions from dismantled ministries to other ministries (such as the Ministry of Infrastructure which now includes the Ministries of Transportation and of Commerce) were fully carried out; for example the government committee and the R&D committee became part of the Minister's Office. In time, policy planning and evaluation units were established in various ministries. When the Likud Party headed by Netanyahu came to power, he declared his government's intention of setting up, in the Prime Minister's Office, units for analysis and planning, and proclaimed the new government's intention to act in a systematic, analytical, co-ordinated manner on issues of policy making in the public service (but these intentions were only partially carried out).

CONCLUSIONS

One of the chief expressions of adequate public policy making in a democratic society is the right of the public to expect efficient public management

and to hold the government accountable. This means that the public has the right to be presented with clear information and solid data regarding policy intentions, policy plans, and programme implementation funded from their tax money and based on declarations made to the public (Geva-May 1992; Chelimsky 1985; Weiss 1985; MacRae 1979). In time, enlightened countries have developed an increasing awareness of the contribution of systematic scientific research to planning and have promoted means of advancing policy PAEI processes as an expression of efficient, equitable and accountable management.

Policy making may well be based on good intuition and creativity, but policy-making analysis and planning provides the scientific approach in public administration systems (Bardach 1992; Dye 1995; Geva-May with Wildavsky 1997; Majone 1989; Lynn 1987; Weimer and Vining 1989; Wildavsky 1987.) Both evaluation and policy analysis, although different in span and methodologies, provide systematic, well-founded information to policy makers, allowing informed alternative selection, and fostering educated policy planning (Geva-May and Pal 1998).

Although in other western countries there has been a shift of attention in recent years from policy analysis and planning to management of implementation, mainly as a result of cutbacks and efficiency concerns in the various systems, Israel's attempts at reform in public administration seem to be moving towards the 'road "more" taken by'. Whether countries advocating New Public Management will move forward or back, in time, as the conceptualization pendulum swings, is not the concern of this paper. What may work well for New Zealand or the UK does not necessarily delegitimize the need and the movement towards a more systematic policy-making system in other contexts.

Indeed, in Israel, a more systematic outlook towards policy making, policy analysis and evaluation seems to be slowly but steadily emerging. The initiation of the PPC, a committee that looks into reforms in public administration and policy making, and which has paved the road for the implementation of systematic practices into the system, as well as for more committees, reports, position papers and on-going discussion, has most certainly been answering emerging local and national needs in public administration and policy making. Moreover, it should be noted that unlike other western countries, where reforms occur approximately every ten years, these developments, including two committees – ten years apart – were the first to be initiated in Israel in fifty years, and clearly point to a shift of conceptualization. The first committee was much wider in impact than the second for political partisan reasons and was supported by the Unity government; whereas, within a few months of the setting up of the second committee, there was a change of government and it was dissolved.

Although since the PPC, PAEI implementation has been partial, mainly because of political influences and prioritizing other recommendations (the advancement of women, in-service training and academization, etc.)

(Galnoor *et al.* 1998), more reliance on commissioned and internal evaluations and analyses has been observed over time in individual ministries, such as Education, Health, and Social Security. Galnoor's attempts to implement the PPC's recommendations have been interrupted by political changes; yet, they have certainly added substantially to the ripening of the general outlook on the issues of concern.

The argument of this paper is not concerned with the claims, made by some, that advocates such as Dror 'always want more'. Indeed, in a competitive democracy like Israel, political conflicts are not easy to overcome. Yet, the hypothesis is that there is a genuine necessity in the Israeli public system for this direction. The proof is to be found in the initiation of a number of committees in recent years, in their investigation of the need for systematization through PAEI and in their recommendations, and in the involvement of influential officials and academics in this process. The proof of the necessity for systematization, and PAEI in particular, lies in the 'demand', i.e. in the increasing call for systematization and related expertise. True, it is difficult to satisfy all believers at all times and on all the issues of concern, but an effort should be made, where possible, to satisfy at least part of the call for systematization.

The developments in Israeli public administration might not be an example of how New Public Management develops in other countries, but the Israeli political and administrative agenda is different and the newer, more appealing trends do not suit all countries at all times. Culture is all important, and reforms cannot be transplanted as they are from one country to another (Caiden 1991; Gazell 1997; Galnoor 1998; Geva-May 1999).

REFERENCES

- Bardach, E. 1992. *Problem solving in the public sector* UC, Berkeley. GSPP.
- Caiden, G. 1969. *Administrative reform*. Palisades, Cal. Pacific Palisade Pbls
- 1991 *Administrative reform comes of Age* New York: Walter DeGruyter
- Chelmsky, Eleanor (ed.). 1985. *Program evaluation patterns and directions* Washington, DC: APSA.
- Downs, J. and P. Larkey. 1986. *The search for government efficiency: from hubris to helplessness*. New York: Random House.
- Dror, Y. 1968 *Public policy making re-examined*. Scranton: Chandler
- 1971. *Design for policy sciences*. New York: American Elsevier Pbls.
- 1969. 'Megapolicies for administrative reform', in *Ventures in policy sciences*. New York: Elsevier
- Dye, Thomas R. 1995. *Understanding public policy*. 8th edn. Englewood Cliffs, NJ: Prentice Hall
- Galnoor, L., D. Rosenbloom and A. Yraoni. 1998 'The reform in the Israeli public management', *Economics Quarterly* 45, 8–108 (in Hebrew).
- Gazell, James, A. (ed.) 1997 'Symposium: the national performance review and public administration', *International Journal of Public Administration* 20, 1, 1–247
- Geva-May, I. 1999 'Reinventing government: the Israeli exception The case of political cultures and public policy making', *International Management Journal* 2, 1.
- 1996 'Policy analysis and evaluation in the government departments and Israeli political culture' Research Report University of Haifa
- 1992 *PPC report implementation: recommendations for the establishment of policy analysis and evaluation units in government departments*. Position Paper Jerusalem: Government Commission

- Geva-May, I. and A. Wildavsky 1997. *An operational approach to policy analysis*. Boston: Kluwer Academic Publishers.
- Geva-May, I. and L. Pal 1998. 'Good fences make good neighbors: policy evaluation and policy analysis – exploring the differences', *Public Policy Analysis and Management, Research Annual*, JAI Press.
- Kfir, A. 1997. *Organizations and management – design and change*. Tel Aviv: Tcherikover (in Hebrew).
- 1995. *Governmental reorganization in Israel*. Jerusalem: Central School of Administration.
- Levine, M. A. and M. B. Sanger 1994. *Making government work: how entrepreneurial executives turn bright ideas into real results*. San Francisco: Jossey-Bass.
- Lynn, L. E. Jr 1987. *Managing public policy*. Boston: Little, Brown and Co.
- Majone, G. 1989. *Evidence, argument and persuasion in the policy process*. New Haven: York University Press.
- MacRae, D. Jr. and J. A. Wilde. 1979. *Policy analysis for public decisions*. California: Duxbury Press.
- Nachmias, David and David H. Rosenbloom. 1978. *Bureaucratic culture, citizens and administrators in Israel*. New York: St Martin's Press.
- Professional Public Committee Report, vols. 1 and 2. 1989. Jerusalem: Government Publishing House.
- . 1996. *100 days report*. Jerusalem: Prime Minister's Office.
- Reuveni, Y. 1988. *Public administration in Israel*. Tel Aviv: Massada Pubs. (in Hebrew).
- Schwartz, R. 1995. 'Who looks into it? Who cares? The politics of evaluation and public control', Research report. Jerusalem: Hebrew University.
- Sharef, Z. 1962. *Three days*. London: W. H. Allen.
- Sharkansky, I. 1997. *Policy making in Israel: Routines for simple problems and coping with the complex*. Pittsburgh: Pittsburgh University Press.
- Weinshall, T. and A. Kfir. 1994. 'The socio-cultural system in Israel: characteristics and side effects in public administration', in A. Shenhar and A. Yarkoni (eds.), *Administrative culture in Israel*. Tel Aviv: Tcherikover Pbl.
- Weimer, D. L. and A. R. Vining. 1989. *Policy analysis concepts and practice*. New Jersey: Prentice Hall.
- Weiss, C. 1985. 'The many meanings of research utilization', in Eleanor Chelimsky (ed.), *Program evaluation: patterns and directions*. Washington DC: APSA.
- Wildavsky, A. B. 1987. *Speaking truth to power: the art and craft of policy analysis*. Boston: Little, Brown & Co.

Date received 15 June 1998. Date accepted 24 August 1999.

INTRODUCING PURCHASER/PROVIDER SEPARATION IN THE CATALAN HEALTH ADMINISTRATION: A BUDGET ANALYSIS

RAQUEL GALLEGO

This article examines the extent to which the Catalan reform launched in 1990 effectively introduced the purchaser/provider separation within the public health administration. The reform had two formulation sources: a law passed by the Catalan Parliament, which left this principle vague, and a further 'new public management' discourse, which interpreted the law in terms of a clear purchaser/provider separation. This study uses Dunleavy's (1991) analytical model of agency types to compare the impact of the reform on the budget structures of the health administration agencies affected – namely, the Department of Health and Social Security, the Catalan Health Service and the Catalan Health Institute. The data show that while the provider role was clearly defined and implemented, the purchaser role was not. Instead, the role of the health authority embodied the complex blend of functions established by the text of the law, which was also reflected in its budget structure, and which blurred the separation between purchaser and provider.

INTRODUCTION

One of the central components of the current 'new public management' (NPM) reform trend in many OECD countries is the separation between the function-based roles of purchaser and provider within the public sector and the subsequent introduction of contracts. While in the traditional bureaucratic model both roles tended to be internally performed by the same organization, NPM postulates the reconfiguration of institutional arrangements according to a clear differentiation of roles (financing, purchasing, provision, regulation). Thus, organizational structures that used to be hierarchically integrated are accordingly disaggregated so that they assume these roles separately. Contracts are then introduced as the main tool for governing the relations between these new (semi-)autonomous organizations (Dunleavy 1994; Hood 1994).

Although the purchaser/provider separation is commonplace in the formulation of current NPM reforms, some studies (like those by Ferlie *et al.* (1996), Flynn and Williams (1997), Le Grand *et al.* (1998), and Robinson and Steiner (1998)) already show how difficult it is effectively to achieve its implementation. Most of these studies focus on indicators such as the actual negotiation of contracts between purchasers and providers, the composition

Raquel Gallego is an Associate Professor in the Department of Political Science and Public Law at the Autonomous University of Barcelona, Spain.

of providers' administration boards, the functional collusion between purchasing authorities and providers, and the importance of trust relations between them. This article proposes a different and complementary indicator to assess the extent to which the function-based roles of purchaser and provider may have effectively been assigned to different organizations in any particular reform case, namely the budget structure of the organizations involved. This indicator was defined by Dunleavy (1991) on the basis of an analytical codification of budget elements whose relative weight revealed different function-based types of agency. This analytical scheme allows comparative research either by using the same coding scheme across different cases, or by achieving inter-coder reliability should more than one researcher use the same scheme to analyse the same case (Miles and Huberman 1994).

This analysis applies Dunleavy's (1991) model to the implementation of the purchaser/provider separation in the Catalan health administration between 1990, when the reform was launched, and 1995, when the NPM framework was reconsidered in the light of some 'implementation gaps'. This is not a central case of implementation gap but a complex one, because the Catalan health reform of the early nineties had two different formulation sources in relation to which implementation has to be analysed. The first formulation source was the Law for the Organisation of Health in Catalonia (LOHC) passed by the Catalan Parliament in 1990 and the second was its further interpretation by politicians and the rest of the health policy elite in NPM terms. While the former was vague about the extent to which the purchaser/provider separation had to be pursued and about which providers had to be affected, the latter interpreted the law as clearly establishing the separation of these roles and affecting all existing providers alike. The LOHC often referred to 'providers' (in general) as being 'either integrated into or functionally ascribed to' the new health authority that this law created, i.e. the Catalan Health Service (CHS). This vagueness of the law text was important because the 'provision side' of the Catalan health system that had been consolidated throughout the eighties was heterogeneous in ownership, management and organizational forms.

In the rest of Spain, a direct provision model had prevailed as a defining feature of the National Health System (NHS). In this model, hospitals and primary care centres had no independent legal personality – they were hierarchically integrated into the health administration or authority, in which they were expenditure units, and their personnel policy was centralized under a quasi-civil service regime (Guillén and Cabiedes 1998). However, the purchaser/provider separation was not new in Catalonia. Although, as in the rest of Spain, over 90 per cent of primary care providers were owned and directly managed by the public health authority – the Catalan Health Institute (CHI) – the hospital sector presented a complex picture. In the hospital sector the CHI only owned and directly managed over a quarter of accredited acute beds, while the rest were owned and autonomously

managed by private, semi-public and public local agents. These non-CHI providers regularly contracted with the health authority (the CHI until 1990) as *de facto* providers of the Spanish National Health System in Catalonia (Gallego 1996). The consolidation of a hospital network that was heterogeneous in ownership and management forms, and which was separated from the health authority through arm's length contractual relations, had been a purposeful policy option of the Catalan health policy élite since 1981 – when Catalonia received the competencies over health from the Spanish central government, thereby starting a decentralization process that has so far affected seven Autonomous Communities that represent 60 per cent of the Spanish population (Rico 1997).

For this reason, the reconfiguration of the health authority derived from the LOHC affected mainly the relationships between the newly created CHS and the existing CHI. The CHI was created in 1983 as the decentralized health administration in Catalonia reproducing the integrated, direct provision model prevailing in the Spanish National Health System. As the Social Security management entity in Catalonia, it was ascribed to the Department of Health and Social Security of the Catalan government and was the health authority until 1990. The weight of the CHI arose because it performed both a provider and a contracting role and because it was itself the largest health provider. The CHI had a single legal personality, and its provider components (both hospitals and primary care centres) were budgetary units which had little managerial autonomy, and which were hierarchically integrated into the organization of the CHI. It was the largest employer among both public and private sectors in this Autonomous Community, with 17,000 personnel in primary care, 16,000 in the hospital sector and 400 in its corporate centre (ICS 1995, pp. 56–7). Moreover, most of its hospitals used the highest technology and undertook medical research and training – with the high costs all this implies. The LOHC text left the possibility open that the CHI might be integrated into the new health authority – the CHS –, by not making a final and explicit decision about its organizational configuration. By contrast, the further NPM interpretation of this law explicitly advocated its organizational separation from the CHS and its reconfiguration as a contracted provider. The rest of non-CHI autonomous providers had to maintain their autonomy from, and contractual relationship with, the CHS as the new health authority. This interpretation of the LOHC emerged from a discourse diffusion process that was evident only shortly after its passage. In this process the terminology associated with the NPM, which had been absent throughout the formulation process of the law, easily came to be accepted by the health policy élite as the most accurate interpretation of the LOHC and of the Catalan health reforms which followed from it.

The objective of this article is to assess the extent to which either the LOHC's vague provisions or its discursive NPM interpretation about the purchaser/provider separation was implemented within the Catalan health

administration. This analysis proceeds by applying the budget structure-based typology of agencies defined by Dunleavy (1991). To this end the budget structure of the different public health bodies within the Catalan health administration is taken as an important indicator of the type of agencies involved. First, the 1990 LOHC and its NPM interpretation are described. Then, the two 'implementation scenarios' that may be expected from each of them in terms of agency role definition are compared. Finally, the budget structures of the relevant agencies before and after the reform are analysed in the light of Dunleavy's framework, with the aim of identifying the roles actually assigned to each agency. The article concludes that implementation followed different aspects of each formulation source. As a result, while the provision role was clearly defined and implemented, the purchaser role was not; it was persistently mixed up with other public authority functions that had traditionally been closely related to it.

THE 1990 LAW FOR THE ORGANIZATION OF HEALTH IN CATALONIA AND ITS NPM INTERPRETATION

One of the central objectives of the 1990 LOHC was the creation of a new health authority – the CHS –, which despite being a public agency ascribed to the Department of Health and Social Security (DHSS) of the Catalan government was endowed with considerable management freedom for governing the health sector. In the Spanish context, the CHS represented an innovation in structuring health administration and managing health care. This public agency was defined by the LOHC as a public entity that, in administrative law terms, has an 'institutional' character, i.e. it has a differentiated legal personality and freedom to manage for the fulfilment of its objectives. In contrast to the 'autonomous bodies of an administrative nature' (the CHI being an example), institutional public entities, such as the CHS, are usually subject to administrative law *only* in their internal functioning, while they may operate under private law in their external relations. These 'instrumental organizations' are usually of a commercial, industrial or financial nature, and are good examples of the trend towards 'escaping administrative law' (Parada 1997, pp. 243–54). Two features framed the instrumental nature of these organizations. On the one hand, the political responsibility for their organization and operations stays with the office holder of the parent agency. On the other hand, the relation between the latter and the former is not hierarchical but one of dependency and administrative supervision over budgets, appointments and the creation and dissolution of the body itself. For the CHS the role of the parent agency belonged to the DHSS of the Catalan government. The DHSS kept for itself the definition of health policy, while devolving authority to the instrumental body – the CHS.

Thus the CHS was entitled to use diverse management and organizational forms in dealing with the complex and diverse health care provision network in Catalonia. With the authorization of the Catalan Core Executive,

the CHS could use indirect management forms, such as: creating new providers like public enterprises; establishing agreements for integrated management forms with other providers; creating public consortia that could in turn create instrumental bodies (quasi-autonomous providers); and creating or taking part in other public or private organizations (LOHC, article 7). The design of the CHS organizational structure included: (1) the Central Services, which were responsible for resources planning, policy formulation, and contracts; (2) Health Regions, which were in charge of the execution and control of the CHS's policies, the management of resources through contract setting, and policy planning within the region; (3) Health Sectors within Health Regions, which integrated and provided Health Basic Areas with management infrastructure, and which were in charge of resource management and evaluation, as well as having to participate in the planning process at sector level (DSSS 1992a, p. 13). According to the model, within the Health Basic Areas the managers of primary health care centres were responsible for the implementation of contracts and agreements.

The LOHC defined the role allocated to the CHS in a complex way, including different kinds of functions, while in the NPM interpretation its role had a clear-cut purchasing/contracting profile. So the CHS had functions over the *formulation* of health policy, such as the organization, planning, programming and evaluation of health, socio-health and public health services. It also had *regulatory* functions, such as the establishment of the general guidelines and the performance criteria that were binding on those health providers functionally assigned to the CHS. In addition, the CHS had *enforcement* functions that included the establishment, management and review of all kinds of quasi-contractual agreements held with health providers ('*convenis*' with public providers, and '*concerts*' with private providers), as well as the inspection of health, socio-health and public health services. The CHS's *funding* functions involved the distribution of the economic resources, appropriated through the annual budget, for the universal coverage provided by the Spanish National Health System in Catalonia. Finally, the CHS had *management* functions, such as the management and administration of those 'providers integrated in the CHS' (basically those within the CHI), the management and implementation of health programmes, and the management of services and entitlements covered by the public health service through either private or public law management forms.

Therefore, although the prevailing interpretation of the 1990 LOHC was based on the NPM discourse fashioned by the academic community and international organizations, the formulation of the 1990 LOHC was not. One of the NPM components which became central to the Catalan reforms – the introduction of the purchaser/provider separation *within* the health administration – was not made explicit in the LOHC text and did not find its way into political discourse until shortly after the law was passed by

the Catalan Parliament. On the one hand, the LOHC defined the new health authority, the CHS, as a public entity of an institutional nature which 'consisted of' all the health care providers in Catalonia, be they public or of public coverage – that is, irrespective of their ownership or legal nature. While the NPM interpretation defined the relationship between the CHS and providers as being arm's length and based on contracts, the text of the law referred to the latter as 'either integrated or functionally ascribed to' the former. As for the CHI in particular, the possibility for its integration into the CHS was explicitly left open. On the other hand, the LOHC defined a complex role for the CHS, bringing together different functions and responsibilities, while the NPM discourse advocated that the CHS be configured as a clear purchasing agency only.

The NPM discourse diffusion process was evident from several conferences organized by the DHSS between the second half of 1990 and 1994, in which the main health policy élites participated. Apart from the representatives of the CHI itself, some of the most influential actors were the Catalan Union of Hospitals – which represented managerial interests mostly in the private sector both inside and outside the contracted hospital network – and the Hospital Consortium of Catalonia – which involved mainly political representatives of local administrations on which non-CHI semi-public providers depended. On those occasions representatives of these main collective actors openly assumed that a NPM reinterpretation was the most accurate reading of the LOHC (DHSS 1991ab, 1992b, 1993). Even all the political parties in the Catalan Parliament, including those which did not support either NPM-like reforms or several articles of the LOHC itself, interpreted the law in those terms. NPM terminology (disaggregation of structures and roles previously integrated, property rights and contract-based incentives, and competition between providers) entered the political arena and was profusely used by most of the policy élites. Moreover, a report elaborated in 1991 by the consulting firm McKinsey for the DHSS helped formalize and clarify such an interpretation (DHSS 1992a).

According to the prevailing NPM interpretation of the LOHC, the focus of the Catalan reforms launched in 1990 was that the separation between purchaser and provider was not to be confined to the contracted hospital network, as it had been until then. Instead, the split had to affect also those providers that were still owned and directly managed by the CHI. Until the LOHC was formulated, the CHI had been performing two roles simultaneously: it was the largest single health provider in Catalonia, and it was the purchasing authority – since it contracted with the other providers which were necessary for covering the health needs of the population.

According to this discourse, the main tenet of the 1990 Catalan reforms was to redefine the CHI into a provider-only (side-lining the debate about the need to disaggregate it into its provider units), and to create a new health authority – the CHS – that had to assume the purchaser role. The CHS had to contract not only with those providers that had traditionally

been contracting with the health authority, but also with the CHI. However, although the CHI kept its administrative legal nature and went on receiving a budgetary allocation from the new health authority – though translated into contract terms – this arrangement was defined as transitional with the aim eventually of transforming the CHI into a public enterprise which would sign contracts with the CHS.

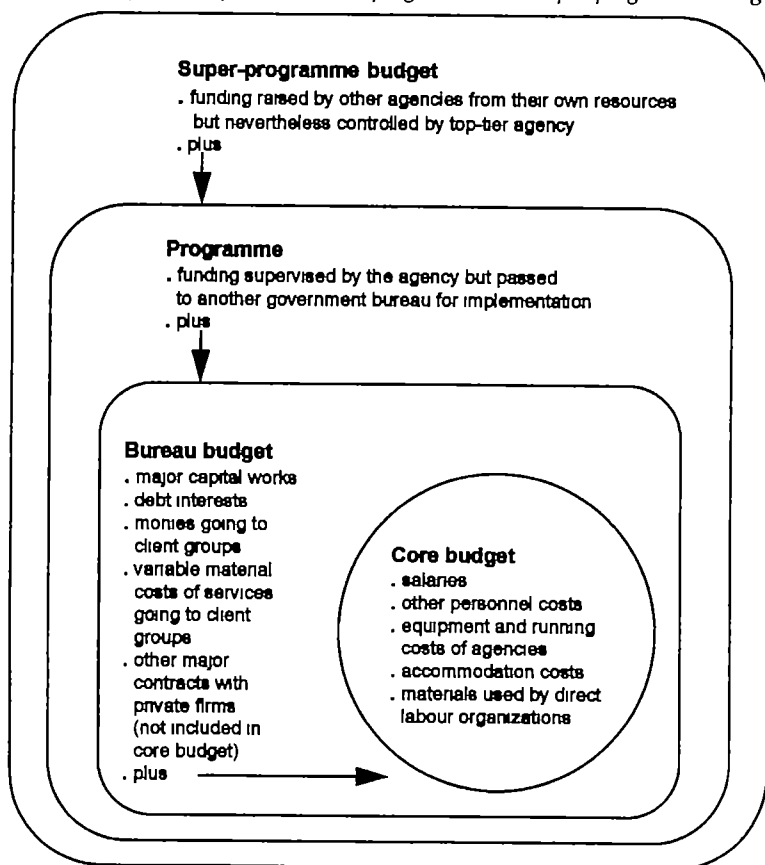
Therefore, the CHS had monopsonistic financing and purchasing roles. The former derived from its position as the single public insurer. The latter derived from its responsibility to contract/purchase the health services necessary for the population. The performance of these roles was subjected to the pursuit of health policy objectives established in the Health Plan for Catalonia. In this framework, contracts were defined both as a tool for translating health policy objectives into operational purchasing decisions, and for managing competition among providers. That is, contracts had to include incentives in order to induce providers to adapt their cost and provision structures to health policy objectives and to improve their efficiency and effectiveness.

TWO IMPLEMENTATION SCENARIOS FOR TWO FORMULATION SOURCES

Assessing the extent to which the definition and separation of purchaser and provider roles were implemented in the Catalan health administration requires an analysis and comparison of the budget structure of the DHSS, the CHS and the CHI before and after the 1990 reform. This analysis should provide evidence on the roles that these organizations were assigned, that is whether the reform followed the text of the 1990 LOHC or its NPM interpretation. This approach is based on Dunleavy's (1991) typology of agencies which infers function-based roles for public agencies from the analysis of their budget structure. Dunleavy identifies four budget elements: core, bureau, programme and super-programme budgets (see figure 1).

According to this author, the relative weight distribution of each of these elements within an agency's global budget reflects its budget structure, which, in turn, indicates the function-based role it performs. Building on these concepts, Dunleavy defines the following types of agencies that are particularly relevant for NPM reforms.

- (a) *Delivery agency*. It directly produces outputs or delivers services using its own personnel to implement policy, so that they are labour-intensive. This role is reflected in its core budget absorbing a large part of the bureau and programme budgets, with a high proportion spent on staff costs. Because it tends not to have important relations with subordinate public agencies, the super-programme budget is very small or non-existent.
- (b) *Regulatory agency*. It limits or controls the behaviour of private and public agents through, for example, accreditation or licensing

FIGURE 1 *Components of core, bureau, programme and super-programme budgets*

Source: Dunleavy (1991, p. 182)

- systems, or performance standards controls. Its budget structure resembles that of a delivery agency, but because it externalizes the costs of compliance, the size of its budget is typically much smaller.
- (c) *Contracts agency*. It develops services, outputs or capital projects' specifications, as the basis for letting contracts with providers, which may be either private firms or commercially run public agencies, for the implementation of policy. Consequently its bureau budget absorbs most of its global budget, and its core budget (running and administration costs) appears to be only medium-sized.
- (d) *Control agency*. It channels funding to other public agencies or levels of government and is responsible for supervising the management of that funding and of the implementation of policy. Its budget structure shows a small core budget, with low running and administration costs and a relatively small bureau budget. As it transfers money to

sub-national levels of government or to other public agencies its programme budget represents the largest part of its global budget. And its super-programme budget size depends on the amount of self-raised money spent by those agencies and levels of government that the control agency supervises.

- (e) *Transfer agency*. It shifts government payments to private firms or individuals. Even if it has a large staff, the running and administration costs included in the core budget represent a small share of the global budget of the agency compared with the share represented by the transfers it handles ('monies going to client groups'). Thus, the bureau budget absorbs most of the agency's global budget.

Within this typology framework, it is possible to identify the main functions a particular agency is expected to perform by calculating the relative weight of each budget component within the total budget of the agency. To this end the line-item budgets of the DHSS, the CHS and the CHI are now analysed by coding their components into the budget elements defined by Dunleavy, and taking their ratios as indicators of the role assigned to these organizations beyond the formal distribution of responsibilities.

Having identified two different formulation sources of the Catalan health administration reform, two different implementation scenarios may be expected. If implementation had followed the NPM discourse which emerged as the prevailing interpretation of the LOHC, then the DHSS should appear to be a control agency, the CHS a contracts agency, and the CHI a delivery agency – each of them showing the corresponding budget structure defined in Dunleavy's model (see table 1). However, if the implementation of the reforms had followed the LOHC text, which used a

TABLE 1 *Expected agency types and budget structures in the reformed Catalan health administration as formulated in its NPM version*

Agency	Expected agency type derived from NPM	Expected budget structure derived from NPM
Department of Health and Society Security (DHSS)	control agency	<ul style="list-style-type: none"> • small core budget and bureau budget • relatively large programme budget including transfers to other public bureaux
Catalan Health Service (CHS)	contracts agency	<ul style="list-style-type: none"> • relatively small core budget absorbs 20–30 per cent of programme and core budget together • bureau budget absorbs most of programme budget
Catalan Health Institute (CHI)	delivery agency	<ul style="list-style-type: none"> • large core budget (mostly staffing costs) absorbs a high proportion of bureau and programme budget

Source: Own elaboration based on Dunleavy (1991).

much more complex function-based roles definition specially for the CHS, then a much more mixed picture might be expected to emerge concerning the assignment of roles between these three public bodies and their corresponding budget structures. As table 1 and table 2 show, the main difference between the LOHC and its NPM interpretation was that the former assigned a blend of functions to the CHS that involved a mixture of transfers, control, contracts and regulatory roles. By contrast, the LOHC coincided with the NPM discourse in that the DHSS should perform a control role and the CHI a provider/delivery role. The main difference was that, according to the LOHC, the CHI as a provider could have been integrated into the new health authority – the CHS – while the NPM discourse advocated a clear organizational separation between the two agencies and

TABLE 2 *Expected agency types and budget structures in the reformed Catalan health administration as formulated in the 1990 LOHC*

Agency	Expected agency type derived from the LOHC	Expected budget structure derived from the LOHC
Department of Health and Society Security (DHSS)	control agency	<ul style="list-style-type: none"> • small core budget and bureau budget • relatively large programme budget including transfers to other public bureaux
Catalan Health Service (CHS)	contracts agency	<ul style="list-style-type: none"> • relatively small core budget absorbs 20–30 per cent of programme and core budgets together • bureau budget absorbs most of programme budget
	regulatory agency	<ul style="list-style-type: none"> • core budget absorbs a high proportion of bureau and programme budget • small budgets as most costs are externalized onto the agents whose behaviour has to limit or control
	control agency	<ul style="list-style-type: none"> • small core budget and bureau budget • relatively large programme budget including transfers to other public bureaux
	transfers agency	<ul style="list-style-type: none"> • core budget absorbs a very low share of bureau budget • bureau budget absorbs most of programme budget, mostly on transfers to private agents
Catalan Health Institute (CHI)	delivery agency	<ul style="list-style-type: none"> • large core budget (mostly staffing costs) absorbs a high proportion of bureau and programme budget

Source. Own elaboration based on Dunleavy (1991).

recommended that the CHI should contract with the CHS just as the rest of contracted non-CHI providers.

The formulation of the reform as it was written in the LOHC only prevailed until the end of 1990. By the time the CHS was created in 1991, the health policy elite had already accepted the NPM interpretation of the LOHC as its most accurate reading. That is, the purchaser/provider split prevailed and the CHI did not have to be integrated into the CHS and remain unaffected by the reform, but had to undergo an internal reform process with the objective of becoming a competitive manager and provider of public health services. In any case, whether the formal/legal or the discursive formulation prevailed in the implementation of the reform is an empirical matter. In order to answer this question, both the budget structures of the agencies involved are now analysed.

SEPARATING PURCHASER AND PROVIDER: BUDGET STRUCTURES AND AGENCY TYPES

For the reassignment of function-based roles to be consequential it has to be accompanied by an effective reallocation of budgetary resources among the organizations in question. Thus, to assess the extent to which this reform followed the LOHC text or its NPM interpretation it is necessary to analyse, first, changes in the nature of resource flows between the public agencies involved and, second, the resulting structure of their respective budgets.

The largest resources flows at stake occurred between the DHSS, the CHS and the CHI. As the top health authority in Catalonia, the DHSS received the health budget – which represented a third of the total budget of the Catalan government – and transferred well over 90 per cent of it to another public agency – the CHI before the 1990 reform and the CHS afterwards. According to the new governance structure defined by the NPM discourse, resources flows between the CHS as the monopsonistic financing/contracting agency and the CHI as a provider had to follow contractual channels – just as they did with the non-CHI providers – instead of budgetary allocations. However, despite the formal reassignment of responsibilities, the budgetary relationships between them shown in table 3 do not reflect a contractual relationship – as was postulated by NPM – but the CHI received a conventional budgetary allocation from the CHS, as implied by the LOHC.

Thus, the CHI continued to be financed through an annual budget appropriation which was negotiated between the CHI, the CHS, the DHSS and the Department of Economy and Finance of the Catalan government. This agreement had to be submitted to the Catalan Parliament and had to be passed as part of the annual Catalan budget law. Formally, the CHI had an independent budget although it was not a state-owned enterprise but a Social Security management body of an administrative nature, and it could not formally incur deficits or be in debt itself, because it was financed

TABLE 3 *Budgetary relationship between the Department of Health and Social Security, the Catalan Health Service and the Catalan Health Institute, 1995 (in million pesetas)*

DHSS				
total budget (1995)				
541,294	→	transfers to the CHS 98%	532,830	
		other incomes	13,222	other incomes
				6,185
		CHS total budget	546,052	
			↓	
				transfers to the CHI 36%
				197,259
				CHI total budget
				203,444
		consolidated CHS/CHI budget	552,237	

Source: DSSS (1995, p. 48).

through budgetary allocations. The deficit was held by the DHSS. That deficit could be inferred for the CHI, but it did not involve the risks of bankruptcy that non-Social Security providers run. However, as recent studies show, the risk of the latter possibility has also been absorbed to a certain extent by the DHSS (Gallego 1998).

From 1992 onwards the annual budgetary allocation to the CHI was 'translated' into contract terms in a 'programme-contract', a tool which was regarded as a necessary prior condition for further enhancing a managerial view among both administrators and professionals. Programme-contracts were accompanied by the introduction of external auditing, cost and accrual accounting, financial control and invoicing systems. The negotiation process of the programme-contract started between the CHI's corporate centre and the CHS's corporate centre, which agreed on an overall provision level of services to be supplied. Then the CHI allocated its budget (derived from its programme-contract) among its provider units – hospitals and primary care units, which have no independent legal personality, because formally the CHI is a single provider.

In the case of hospitals, each of them reached an agreement with the CHI's corporate centre first, and then negotiated the corresponding programme-contract with the CHS – the health authority – according to which their budget allocations (costs) were explicitly linked to the services (activity) they had to provide. Each contract was signed by the CHS's director, the CHI's manager, and the manager of the corresponding hospital. This process meant that, for the first time, hospitals under the CHI's auth-

ority had compulsorily to invoice all their services so that the budgetary allocations distributed to them by the CHI's corporate centre could be related to cost or activity. At the same time, financial and cost accounting techniques were introduced in hospitals so that each hospital had an operating account (Roma 1994, pp. 48–9). These techniques facilitated the introduction of the payment system based on prices or tariffs set for Basic Care Units (BCU) of activity and Diagnostic Related Groups, which they had been applying since 1986 and 1997 respectively, in the contracts signed between the health authority and non-CHI providers.

In the case of primary care, the exercise of fictional contracting was introduced in 1993, together with evaluation mechanisms. This process affected the CHI's reformed primary care sector, namely those Health Basic Areas where a multi-disciplinary Primary Care Team had been formed within the corresponding Primary Care Centre. In this case the central services of the CHS negotiated and signed a single framework protocol with the CHI for a three-year period. Then additional clauses and specific annexes were added (and annually revised) for each Primary Care Team as the outcome of the negotiation between the corresponding CHS's Health Region, the CHI's Primary Care Division and the corresponding CHI's Direction of Primary Care. The main goal of this process was gradually to introduce the objectives of the Health Plan in the contractual negotiations concerning primary care (ICS 1995).

These programme-contracts helped providers become aware of the level of self-financing they would achieve if such contracts were not fictional but economically binding contracts, i.e. if providers had to assume responsibility for the financial consequences of not being able to meet the contract terms. This exercise revealed the level of deficit they would incur, if they had a real contract, by making explicit the difference between what they spent through the budget (cost of their activities) and what they would be paid for those activities through prices, if they were selling their services to the CHS.

Another strand of reform affecting the CHI was its gradual reorganization. The CHI's corporate centre defined a new approach to the management of its provider units (hospitals and primary care providers), so that the CHI's organization could evolve towards a model resembling a divisional structure in a near future (ICS 1995, p. 19). However, as shown below, such a new organizational approach was not reflected in a change of the 'type' of agency the CHI was, at least in terms of budgetary structure. That is, by the time of writing (mid-1999), its legal personality and configuration has not undergone the 'holding-style' reorganization which was considered to be the next major step to disaggregate it. Instead hospitals and primary care centres do not have an independent legal personality and such key management functions as personnel (human resource management) and management of the budget allocations are still centralized at the corporate centre of the CHI.

The nature of these resources flows between agents indicates to some extent their individual potential roles. However, analysis of the structure of the budgets which each of those agents managed gives a more accurate account of the functions performed by the DHSS, the CHS and the CHI. From the comparison of the budget structures of the DHSS before and after the creation of the CHS in 1991, it is apparent that the reassignment of functions within the DHSS did not have an impact on the role it had to perform (see table 4 and table 5). In both cases the DHSS's budget structure corresponded to that of a *control agency*, according to Dunleavy's (1991) typology, with a small core and bureau budget and a large programme budget including transfers to other public agencies – the CHI until 1990 and the CHS from 1991. As a control agency, in 1990 the DHSS transferred 97 per cent of its budget to the CHI, 92.4 in concept of current transfers and 4.6 in concept of capital transfers. Two primary tasks of a control agency are to channel funding to other agencies, bureaux or levels of government, and to supervise how these transfers are spent and policy implemented. The core budget, comprising mostly administrative costs, was 2 per cent of the DHSS's total budget. The bureau budget – that is, major capital works, contracts with private agents, and money going to client groups – was a minor part of the money transferred and of the total budget (2.7 per cent), a pattern which is characteristic of control agencies. This control and supervision function was defined as central to the institutional and inter-organizational relationship between the DHSS and the CHI since the latter began managing the Social Security health services in Catalonia in 1983. This framework remained unchanged until the creation of the CHS in 1991.

TABLE 4 *Budget structure of the Department of Health and Social Security of the Catalan government, 1990 (in percentages over the total DHSS's budget)**

	Cabinet of the <i>conseller</i> **	DG of health organisation and planning	DG of economic resources of the health system	DG of public health	Catalan Health Institute (CHI)	Total % of total budget
Core budget	0.38	0.24	0.04	1.26	–	1.9
Bureau budget	0.09	0.50	–	0.20	–	0.8 (2.7)
Programme budget	0.07	0.40	–	–	97.0	97.5 (100)
Super- programme budget	–	–	–	–	–	– (100)

*All calculations are based on the initial budgetary appropriation (332,195 million pesetas).

**Political head of the department and counterpart of a minister in the Spanish central government.

Source: Own elaboration based on Dunleavy (1991) and DEF (1990).

TABLE 5 *Budget structure of the Department of Health and Social Security of the Catalan government, 1995 (in percentages over the total DHSS's budget)**

	Cabinet of the conseller	DG of economic resources of the health system	DG of public health	Territorial delegations	Catalan Health Service (CHS)	Total % of total budget
Core budget	1.16	0.07	0.01	0.03	—	1.3
Bureau budget	0.09	0.02	0.07	0.00	—	0.2 (1.5)
Programme budget	0.10	0.00	0.00	—	98.4	98.5 (100)
Super- programme budget	—	—	—	—	—	— (100)

*All calculations are based on the initial budgetary appropriation (541,294 million pesetas).

Source: Own elaboration based on Dunleavy (1991) and DEF (1995).

Table 5 shows the budget structure of the DHSS for 1995, four years after the creation of the CHS, when the reform had supposedly been consolidated in terms of budget reallocation in accordance with the redefinition of policy roles provided by the new legislative framework of the 1990 LOHC. These data show that the DHSS had kept the same role of *control agency* that it had before the reform. Its core budget and its bureau budget each represented an even smaller share of its total budget (1.3 and 1.5 per cent respectively) than in 1990. Moreover, the DHSS transferred 98.4 per cent of its budget to the CHS (94.4 in concept of current transfers and 4 per cent in concept of capital investments). Thus the weight of the programme budget (98.5 per cent) revealed again the DHSS's clear role as a control agency after the reform which, in this respect, remained unchanged.

By contrast, the redefinition of the role of the CHI from a financing, contracting and provider agent (a complex role) into a provider *strictu sensu* had a clear impact on the budget structure of this body. As expected from the LOHC text and the NPM discourse alike, the CHI became a much purer *delivery agency* (in Dunleavy's model) after the reform. From table 6 it appears that the pre-LOHC CHI was a complex agency because its budget structure reflected responsibilities involving different functions. First, the CHI had a strong role as a *delivery agency*. As this kind of agency directly produces outputs or delivers goods (health care in this case) using its own personnel to implement policy, staffing costs represented a major share of its total budget – 33.6 per cent, included in the core budget, which itself represented 42.5 per cent of the CHI's total budget. Second, before the creation of the CHS, the CHI spent 35.3 per cent of its total budget on contracting with non-CHI providers (included in the bureau budget), implying

TABLE 6 *Budget structure of the CHI pre-LOHC, 1990 (in percentages over total budget)**

	Central services	Specialized care	Primary care	Health professionals training	Total % of total budget
Core budget	2.35	21.85	17.34	0.94	42.5
Bureau budget	0.33	32.93	23.56***	—	56.8** (99.3)
Programme budget	0.02	0.20	0.50	—	0.7 (100)
Super-programme budget	—	—	—	—	— (100)

*All calculations are based on the initial budgetary appropriation (326,888 million pesetas).

**35.3 per cent of total budget was spent on contracting with non-CHI providers (29.7 per cent with hospitals and 5.6 per cent with primary care).

***94 per cent of this amount, namely 16.3 per cent of total budget, was transferred to pharmacies for subsidizing the price of pharmaceuticals sold to patients on medical prescription. NB: Income sources of the CHI budget included transfers from the DHSS (98.5 per cent), services provision (1.2 per cent), heritage income (0.3 per cent), and financial assets (0.03 per cent).

Source: Own elaboration based on Dunleavy (1991) and DEF (1990).

a strong role as a *contracts agency*. Finally, the pre-LOHC CHI had a role as a *transfers agency* because it controlled the budget transfers for pharmaceuticals (16.3 per cent of its total budget), included in the bureau budget. Both the contracts and transfers roles were assigned to the CHS in 1991 by reallocating the corresponding share of the budget to it, and the CHI remained a *delivery agency*.

However, the identification of a *contracts agency* role was not straightforward in the pre-LOHC CHI, that is, when it was the health authority. According to Dunleavy's (1991) model contracts agencies' core budget should absorb only a modest part of the programme and core budgets (between 20 and 30 per cent), which was not the case with the CHI in 1990. Moreover, according to the model, contracts agencies' main task is to work on research and development of equipment or service specifications, on capital projects for tendering, contract management and compliance, and letting contracts to either private agents or public organizations run on a commercial basis. However, these responsibilities were not held by the CHI. Instead, these responsibilities were shared by the DG of Organisation and Planning (1983) and the DG of Resources of the Health System (1989) – both directly accountable to the political head (counterpart of a ministry of the central government) of the DHSS, and by the DG of Resources of the Health System and the CHS from 1991 onwards. Therefore, this distribution of responsibilities in 1989 did not have an impact on the budget structure

of the CHI, as it had after the CHS was created. As table 7 shows, in 1995 the CHI was a clear *delivery agency* in budget structure. Its core budget represented 99 per cent of its total budget (78.5 per cent was spent on personnel and 20.5 per cent on the purchase of goods and services – which included ancillary services in the health sector), thus absorbing a high proportion of bureau and programme budget. Before the reform the CHI received 98.5 per cent of its budget from the DHSS, and around the same amount from the CHS after the reform.

In the same way that the pre-reform CHI was a mixture of agency types in terms of Dunleavy's typology, the new CHS arrangement after its creation in 1991 did not convey a clear-cut identification based on its budget structure either (see table 8). The DHSS directly transferred 98.7 per cent of its budget to the CHS, which in turn represented 97.6 per cent of the CHS's budget. The CHS had a small core budget of just 1.4 per cent of the programme and total budgets, so it was clearly not a delivery agency. As it is reflected in its budget structure, the CHS's most important role was that of a *contracts agency*, a role it completely took over from CHI before the reform. The CHS's bureau budget represented 63 per cent of the total budget – contracts with non-public providers included in the bureau budget amounting to 39.2 per cent of total budget. But the monies passed on to another public body, the CHI, also amounted to 36 per cent of the total budget, and hence implied a strong secondary CHS role as a *control agency*. Transfers to pharmacies (private agents) accounted for 18.2 per cent of the CHS total budget and hence implied also a role as a *transfers agency*.

In sum, the mixed type of agency and the budget structure that characterized the CHS after its creation in 1991 did not conform to the NPM

TABLE 7 *Budget structure of the CHI as a provider, 1995 (in percentages over total budget)**

	Corporate centre	Specialized care	Primary care	Health professionals training	Total % of total budget
Core budget	2.90	49.26	44.28	2.50	98.9
Bureau budget	0.14	0.50	0.30	–	0.9 (100)
Programme budget	–	–	–	–	– (100)
Super- programme budget	–	–	–	–	– (100)

*All calculations are based on the initial budgetary appropriation (203,444 million pesetas).
NB: Income sources of the CHI budget included transfers from the CHS (97 per cent), services provision (2.9 per cent), and financial assets (0.1 per cent).

Source: Own elaboration based on Dunleavy (1991) and DEF (1995).

TABLE 8 *Budget structure of the CHS as the financing/purchasing agency, 1995 (percentages over total budget)**

	Corporate centre	Specialized care	Primary care	Catalan Health Institute (CHI)	Total % of total budget
Core budget	1.40	–	–	–	1.4
Bureau budget	0.64	35.34	25.52***	–	61.5** (62.9)
Programme budget	0.04	0.50	0.40	36.1	37.0 (100)
Super- programme budget	–	–	–	–	– (100)

*All calculations are based on the initial budgetary appropriation (546,053 million pesetas).

**39.2 per cent of total budget was spent on contracts with non-CHI providers (33.5 per cent with hospitals and 5.7 per cent with primary care centres).

***99 per cent of this amount – namely 18.2 per cent of total budget – was transferred to pharmacies for subsidizing the price of pharmaceuticals bought by patients on medical prescription.

NB: Income sources of the CHS budget included transfers from the DHSS (97.6 per cent), provincial administrations (1.4 per cent), other administrations for patients' displacements (1.0 per cent), and financial assets (0.001 per cent).

Source: Own elaboration based on Dunleavy (1991) and DEF (1995).

interpretation of the LOHC, which postulated a clear contracts role. Instead this empirical analysis of budget structures shows that the CHS adopted the complex mixture of functions the LOHC assigned to it, as reflected in its budget structure. However, among this complex blend of functions, the assumption by the CHS of the contracting function performed by the CHI before 1990 took on an increasing importance.

CONCLUSIONS

The implementation of the new institutional design of the health authority in Catalonia in the early nineties had two different formulation sources: an endogenous legal source – the 1990 Law for the Organisation of Health in Catalonia – and an exogenous source – the 'new public management' discourse. Analysis of the restructuring carried out between 1991 and 1995 shows, first, that the role of the Catalan Health Service was closer to the text of the 1990 Law than to the clear-cut role interpretation advanced by the 'new public management' discourse. Two indicators support this conclusion: the complex mix of functions actually assigned to this new health authority and its budget structure, which revealed a mixture of contracts, transfers, and control types of agency as defined by Dunleavy (1991).

In the case of the Catalan Health Institute the implementation process followed closely its redefinition as a provider postulated by both the LOHC

text and its NPM interpretation. Thus, while the pre-reform Catalan Health Institute's role and budget structure revealed a mixture of contracts, transfers and delivery agency, the same indicators after the reform showed a dominant delivery role. The Catalan Health Institute is the agency upon which the implementation of the reform has had a clearer impact, since it has shifted from being the health authority to being a large provider. Moreover, the Catalan Health Institute has undergone several processes of management improvement, which aim at enhancing a more efficient performance of that provider role. Nevertheless, other indicators show a less clear assessment of which of the two formulation sources was more closely followed. The fact that the Catalan Health Institute remained as an organization independent of the Catalan Health Service fitted the 'new public management' discourse rather than the 1990 law. In contrast, the relationship between the Catalan Health Service and the Catalan Health Institute was not based on a real contract but on a budget allocation 'translated' into contract terms and with no financial risk, which fitted more closely to the 1990 Law text than its 'new public management' interpretation.

In contrast to the CHS and the CHI, the DHSS did not have its functions modified in any substantial way as a result of the reform. Its budget structure shows that the DHSS always had a control agency role. That is, it transferred almost all its budget to the public agency that had the role of purchasing health services through contracts – the CHI until 1990 and the CHS from then onwards. As a control agency, the DHSS went on being responsible for the supervision of the management of the monies it transferred and for the implementation of the corresponding policies.

Dunleavy's (1991) analytical framework of budget structures is not only useful for identifying function-based roles of different organizations, but it also facilitates comparative research across different cases and allows inter-coder reliability over the same case. However, the re-allocation of budgetary resources is only a static indicator of the extent to which an effective clarification and separation of roles was implemented. As has been shown elsewhere (Gallego 1998), a necessary complement of this analysis is the study of the dynamic interactions between these institutional actors and the rest of the health policy elite outside the public administration structure. The relationships between them and the health authority involve resource dependence and exchange. Therefore, the use and impact of policy tools that are central to the purchaser/provider separation, such as contracts, may also be complementary indicators of the actual configuration of these roles and of the governance structure implemented.

ACKNOWLEDGEMENT

The author would like to thank Michael Barzelay, Patrick Dunleavy and George Jones for their helpful comments on earlier versions of this paper.

REFERENCES

- DEF (Departament d'Economia i Finances) 1990. *Pressupostos de la Generalitat de Catalunya*, 1990. DEF Barcelona: Generalitat de Catalunya
- . 1995. *Pressupostos de la Generalitat de Catalunya*, 1995. DEF, Barcelona: Generalitat de Catalunya
- DSSS (Departament de Sanitat i Seguretat Social) 1991a. *Fulls Econòmics del Sistema Sanitari, Monografies 1: La llei d'ordenació sanitària de Catalunya*. Barcelona: Departament de Sanitat i Seguretat Social
- . 1991b. *Fulls Econòmics del Sistema Sanitari, Monografies 2: La Xarxa Hospitalària d'Utilització Pública en el marc del Servei Català de la Salut. finançament i gestió*. Barcelona: Departament de Sanitat i Seguretat Social
- . 1992a. 'El Servei Català de la Salut i la nova organització de l'assistència sanitària pública a Catalunya', *Fulls Econòmics del Sistema Sanitari, Informes*, 1. Barcelona: Departament de Sanitat i Seguretat Social
- . 1992b. *Fulls Econòmics del Sistema Sanitari, Monografies 3: El sector de la sanitat com a sector de serveis*. Barcelona: Departament de Sanitat i Seguretat Social
- . 1993. *Fulls Econòmics del Sistema Sanitari, Monografies 4: El sector econòmic de la Sanitat i Maastricht*. Barcelona: Departament de Sanitat i Seguretat Social
- . 1995. *Els recursos econòmics del Departament de Sanitat i Seguretat Social*, 1995. Barcelona: Departament de Sanitat i Seguretat Social.
- Dunleavy, P. 1991. *Democracy, bureaucracy and public choice*. London: Harvester-Wheatsheaf
- . 1994. 'The globalization of public services production: can government be 'best in world'?', *Public Policy and Administration* 9, 2, 36–64.
- Ferlie, E. et al. 1996. *The new public management in action*. Oxford: Oxford University Press
- Flynn, R. and G. Williams (eds.). 1997. *Contracting for health. Quasi-markets and the National Health Service*. Oxford: Oxford University Press
- Gallego, R. 1996. 'Reformas de New public management: el caso de la Administración sanitaria catalana', *Gestión y Análisis de Políticas Públicas* 5–6, 163–74
- . 1998. 'New public management' reforms in the Catalan public health sector, 1985–1995: Institutional choices, transactions costs and policy change'. Ph.D. Thesis. London: The London School of Economics and Political Science.
- Guillén, A. and L. Cabiedes. 1998. 'La política sanitaria: análisis y perspectivas del Sistema Nacional de Salud', pp. 176–199, in R. Gomà and J. Subirats (coord.), *Políticas públicas en España. Contenidos, redes de actores y niveles de gobierno*. Barcelona: Ariel.
- Hood, C. 1994. *Explaining economic policy reversals*. Buckingham: Open University Press.
- ICS (Institut Català de la Salut). 1995. *1994, preparant el futur*. Barcelona: Institut Català de la Salut
- Le Grand, J., N. Mays and J. Mulligan. (eds.). 1998. *Learning from the NHS internal market. A review of the evidence*. London: King's Fund
- Miles, M. and A. Huberman. 1994. *An expanded sourcebook: Qualitative data analysis*. London: Sage.
- Parada, R. 1997. *Derecho administrativo*, vol. 2 11th edn. Madrid: Marcial Pons
- Rico, A. 1997. 'Descentralización y reforma sanitaria en España (1976–1996)'. Doctoral Thesis. Universidad Autónoma de Madrid.
- Roma, J. 1994. 'Servei Català de la Salut: Passat, present i futur', in *Fulls Econòmics del Sistema Sanitari, Monografies 5*, 47–50.
- Robinson, R. and A. Steiner. 1998. *Managed health care*. Buckingham: Open University Press
- Sabatier, P. and H. Jenkins-Smith (eds.) 1993. *Policy change and learning: And advocacy coalition approach*. Boulder: Westview Press

Date received 19 February 1999. Date accepted 21 December 1999.

REVIEWS

TEACHING PUBLIC ADMINISTRATION IN THE NETHERLANDS AND ITALY: A REVIEW SYMPOSIUM

MIRIAM LIPS AND RODOLFO LEWANSKI

Public Administration has reviewed some of the literature that is used for introducing students to public administration programmes in Europe. Previous issues have dealt with Northern Europe, Mid-Europe and Spain. These last presentations discuss the Netherlands and Italy.

PETER BOGASON
Review Editor

Miriam Lips is at the Centre for Law, Public Administration and Informatization, Tilburg University, the Netherlands and Rodolfo Lewanski is at the University of Bologna, Italy

Public Administration Vol. 78, No 2, 2000 (443-483)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

TEACHING PUBLIC ADMINISTRATION IN THE NETHERLANDS

MIRIAM LIPS

Considering the extensive position and activities of public sector organizations in Dutch society, it may not be surprising that public administration education programmes are currently taught at ten of the fourteen Dutch universities, one of which (the Open University) provides higher distance education. Since 1928, endowed chairs in public administration have been established within various disciplines at the Dutch universities, most of them after the Second World War. In 1976, the first autonomous degree programme was started at Twente University.

All of the current public administration degree programmes provide their graduates with the Dutch degree, the *doctorandus* (*drs.*) title, except for the Universities of Groningen, which provides the Dutch master of laws title (*mr.*), and Delft, where graduates receive the Dutch engineer (*ir.*) title. According to the Dutch Higher Education and Research Act (in Dutch: *Wet op het Hoger Onderwijs en Wetenschappelijk Onderzoek*), the *drs.* but also the *mr.* and *ir.* titles may be compared and even replaced by the internationally acknowledged Anglo-Saxon title of Master (M.). However, universities, higher professional education institutions, private institutions, and international institutions in the Netherlands increasingly provide various post-initial education programmes and also offer their graduates the Anglo-Saxon Master title. In contrast to the university degree programmes, the degrees offered by these post-initial education programmes are currently not protected by statute law in the Netherlands. Consequently, the comparison of the Dutch *drs.* title with the internationally acknowledged Master title is coming more and more under pressure. Therefore, the Dutch Minister of Education has recently announced a study into the possibility of introducing a national education system with an undergraduate and graduate model comparable with the Anglo-Saxon three-year Bachelor and two-year Master models, which is in line with the Bologna declaration signed by the European Ministers of Education in June 1999 (Ministry of Education, Culture and Science, 1999). This may have direct consequences for the structure and duration of current Dutch public administration degree programmes.

At present, public administration degree programmes at Dutch universities usually last four years. After completion of this degree programme, students have the option of further study and research, which, with the production of a dissertation, lead to the internationally acknowledged title of doctor (*dr.*). In practice, only a small percentage of the student population applies for this option and/or is admitted to this four-year doctorate programme. Most students start working in various public sector organizations; a substantial number of students start their careers in private sector organizations, mainly in consultancy firms.

How may the contents of public administration curriculums in the Netherlands generally be described?

Usually, four disciplines constitute the basis of public administration degree programmes: Political Science, Sociology, Law, and Economics. At the various universities, different levels of integration of these monodisciplines can be found in public administration curriculums and courses. Twente University, for instance, predominantly uses a multidisciplinary approach to organize its education, leading to a situation in which a substantial number of courses are provided within each monodiscipline. Other universities structure their education programmes more along general topics in public administration, such as policy instruments, information management, and administrative renewal. Here, besides discussing these general topics from a multidisciplinary perspective, knowledge is also offered to students in an integrated way.

The foundations of Dutch public administration in various disciplines leads to practitioners of public administration in the Netherlands describing themselves as generalists, as people who have learned to look at the functioning of public administration from different perspectives. As the Dutch public administration programmes are relatively young, most university professors of public administration, at the present time, have their educational background in one of these monodisciplines, most of them in political science.

A further differentiation in public administration programmes at the various universities is in the predominance of specific monodisciplines in curriculums, which in some cases is reflected in the name of the degree programme as a whole, e.g. Public Administration and Management Science (in Dutch: *Bestuurs- en Organisationswetenschappen*) at the Universities of Utrecht and Nijmegen, and Administrative Law and Public Administration (in Dutch: *Juridische Bestuurswetenschappen*) at the Universities of Amsterdam, Groningen, and Tilburg. In addition, the programme at Delft University called 'Systems Engineering, Policy Analysis and Management' differs from other public administration programmes as it combines knowledge from the four disciplines in public administration with knowledge from the technical sciences. A specialization in this field is also offered at Twente University in the third and fourth year of its public administration degree programme.

In fostering scientific knowledge in public administration, Dutch scholars focus on three dimensions: first, improving the functioning of public administration through recommendations based on an analysis in which theory and practice are confronted ('*prescription*'); second, collecting and disseminating knowledge on the actual functioning of public administration ('*description*'); and third, stimulating knowledge which may be used in the practice of public administration ('*application*'). These dimensions are interwoven with the contents of the public administration curriculum, reflecting the three-way emphasis of teaching students both public administration

theory, empirical knowledge on the functioning of public administration, and skills and methods for applying theoretical insights into cases in the practice of public administration and looking for explanations.

In most introductory courses in public administration, we can perceive a first attempt to make students aware of these three dimensions of knowledge; and they focus on the most influential and therefore currently most visible administrative level of Dutch public administration, i.e. the national government. For an introduction to public administration, many programmes currently use the textbook by Rosenthal *et al.* *Openbaar Bestuur* (1996; in English: *Public Administration*). Besides introducing the development and positioning of public administration studies *vis à vis* the practice of public administration in the Netherlands, this book presents an introduction to a number of important themes, such as a definition and general description of public administration in the Netherlands, concepts of government steering, the policy process, relationships between public administration and the environment, organization and management in public administration, and relations between politics and administration.

Overheidsbeleid (in English: *Public Policy*) by Hoogerwerf (ed., 1993) is another frequently used introductory textbook on Dutch public administration. This book discusses various facets of public policy, such as its contents, the various stages in the policy process, policy output and outcomes, and policy making and its environment.

A third introductory textbook that can be mentioned here is *Beleid en politiek* (in English: *Policy and Politics*) by Van de Graaf and Hoppe (1992). The point of departure in this textbook is that public policy should contribute to the solution of social problems. In practice, however, policy making happens in a field of tension between rationality and political power. In this textbook, the contribution of policy science to the practice of policy making is further explored and developed. Subsequently, derived insights are applied to the practice of designing public policy.

After an introduction programme, public administration programmes provide courses which discuss various themes and aspects of public administration thoroughly. In most programmes, for instance, courses are taught on the theoretical foundations and important scholars of public administration. Here, the textbook *Bestuurskunde: hoofdfiguren en kernthema's* edited by Korsten and Toonen (1988; in English: *Public Administration: Main Figures and Core Themes*) is used at several universities. Also, students at many universities have to study a number of 'classical' articles or texts by acknowledged authorities in the field.

Other major themes of individual public administration courses are the stages in policy processes and policy analysis, decision-making, organization and management of public sector organizations, information and communication management in public administration, and the relationships between public sector organizations and their environment. Here, differences between public administration curriculums may be the results of the

research interests and expertise of the professors teaching at a particular university. Also, courses offered on public administration curriculums may reflect trends in Dutch public administration practice and science, such as New Public Management, policy network theory, and policy design.

With regard to other administrative levels of Dutch government, most public administration programmes offer at least one specific course on local government. Here, many programmes use the textbook *Lokaal bestuur in Nederland* (in English: *Local Government in the Netherlands*), which was recently edited by Korsten and Tops (1998). In this textbook, various aspects of Dutch local government, in particular city government and local communities, are extensively described and analysed.

Although the influence of Europe is increasingly felt in the Dutch public sector, surprisingly, until now, not many universities have offered courses specifically on European administration. Twente is one of the exceptions, offering a two-year specialization route on 'European public administration' to its students. However, a number of universities do pay attention to the international dimensions of Dutch public administration by offering courses in, for instance, comparative public administration or international relations.

In the Netherlands, besides Dutch literature, a substantial number of textbooks used in public administration programmes are American or British. This certainly reflects the important influence of American and British scholars as well as statesmen on (the development of) Dutch public administration studies. It may also be viewed from the standpoint that the English language is relatively easily accessible to Dutch students (as compared with German or French) and English is becoming increasingly important through university policy pressures for internationalization. Although there are quite a few public administration textbooks on various themes available in Dutch, the English textbook market also offers Dutch teachers of public administration considerably more options for fine-tuning their course materials. At present, English textbooks are used in all public administration programmes in various courses. Textbooks that are used at several Dutch universities include: in the field of comparative public administration, *Political Authority and Bureaucratic Power: A Comparative Analysis* by Page (1992), and Lane and Ersson's *Politics and Society in Western Europe* (1999); in the field of organization and management studies Morgan's *Images of Organizations* (1997), *Structures in Fives* by Mintzberg (1993), and Scott's *Institutions and organizations* (1995); and in the field of public policy Fischer's *Evaluating Public Policy* (1995), and Parsons's *Public Policy: An Introduction to the Theory and Practice of Policy Analysis* (1995).

Summarizing, we may conclude that public administration programmes in the Netherlands have developed rapidly in a substantial number of different university curriculums, offering Dutch students a rich palette of focus areas, specializations, and courses to choose from. In addition, Dutch students of public administration have access to an extensive and diverse sup-

ply of textbooks and journals in their mother language. However, because of the present policy debate on adopting the internationally acknowledged Bachelor and Master cycles in the Dutch higher education system, it is uncertain how long all these flowers will be allowed to blossom. If the proposed international standardization of programme cycles and degrees is implemented, a situation might develop in which further standardization of higher education systems will take place in an international setting. This may cause more pressure on Dutch universities to internationalize their programmes, courses, and course materials.

BOOKS REVIEWED

- Fischer, F. 1995. *Evaluating public policy*. Chicago: Nelson-Hall.
- Van de Graaf, H. and R. Hoppe. 1992 *Beleid en politiek. Een inleiding tot de beleidswetenschap en de beleidskunde*. Muiderberg: Coutinho. 2nd edn.
- Hoogerwerf, A. (ed.). 1993. *Overheidsbeleid*. Alphen aan den Rijn: Samsom. 5th edn.
- Korsten, A. F. A. and T. A. J. Toonen (eds.). 1988. *Bestuurskunde: hoofdfiguren en kernthema's*. Leiden: Stenfert Kroese.
- Korsten, A. F. A. and P. W. Tops (eds.). 1998. *Lokaal bestuur in Nederland. Inleiding in de Gemeentekunde*. Alphen aan den Rijn: Samsom. 3rd edn.
- Lane, J-E. and S. Ersson. 1999. *Politics and society in Western Europe*. London: Sage. 4th edn.
- Ministry of Education, Culture and Science. 1999. *Ontwerp Hoger Onderwijs en Onderzoek Plan 2000*. (Sept). The Hague: SDU Service Centre.
- Mintzberg, H. 1993. *Structures in fives*. Englewood Cliffs, New York: Prentice Hall. 2nd edn.
- Morgan, G. 1997. *Images of organizations*. Beverly Hills: Sage. New edn.
- Page, E. C. 1992. *Political authority and bureaucratic power: a comparative analysis*. New York: Harvester Wheatsheaf. 2nd edn.
- Parsons, W. 1995. *Public policy: an introduction to the theory and practice of policy analysis*. Aldershot: Edward Elgar.
- Rosenthal, U., A. B. Ringeling, M. A. P. Bovens, P. 't Hart and M. J. W. van Twist. 1996. *Openbaar Bestuur. Beleid, organisatie en politiek*. Alphen aan den Rijn: Samsom HD Tjeenk Willink. 5th edn.
- Scott, W. R. 1995. *Institutions and organizations*. Thousand Oaks, CA: Sage.

TEACHING PUBLIC ADMINISTRATION IN ITALY

 RODOLFO LEWANSKI

Studies in the field of public administration in Italy have traditionally been influenced to a large extent by the juridical culture prevailing in Italy until recently, both for historical reasons, and because juridical knowledge (namely Administrative Law) was required for recruitment at the higher levels of the public sector. Only during the last three decades or so have administrative phenomena begun to be analysed through the theoretical lenses offered by the social sciences, namely Political Science and Sociology, as well as by Economics and Management disciplinary approaches, and programmes and courses in the field of public administration are now offered by the Faculties of Political Science and Economics, as well as of Jurisprudence.

A specific four year *Corso di Laurea in Scienze dell'Amministrazione* (public administration) is offered by four law faculties (Molise, Region Calabria, Teramo and Trieste) and, since 1995, by one political science faculty (Florence). Juridical disciplines appear to be somewhat prevailing, but administrative, sociological, economic and management courses are present in the first biennium of studies. In the second biennium, juridical disciplines understandably dominate in the *Indirizzo giuridico*, whereas policy, organizational, management and economic disciplines characterize the *Indirizzo politico-organizzativo*.

In the law faculties, a number of universities offer a specialized curriculum (*Orientamento or Indirizzo*) in administration beginning in the third year; these programmes also include a course in public administration. Most of the specific *Scienza dell'Amministrazione* courses offered at the law faculties follow an entirely juridical approach, though in several cases a more political science and/or sociological approach clearly emerges.

In the faculty of economics (*Economia e Commercio*), one should mention the *Corso di Laurea* in the economics of public administration and international institutions (*Economia delle amministrazioni pubbliche e delle istituzioni internazionali*), featuring a more management-oriented approach. Students are required to take economics, management, juridical, mathematical and statistical courses, as well as courses in public administration and the history of administration. Among those on offer are such courses as the economics of firms and public administration, and the organization of firms and public administration. A single course in the economics of firms and public administration is offered by the many economics faculties.

Since the late 1960s, the curriculum of political science faculties has been structured in a first biennium of basic courses common to all students, followed by two more years in which students specialize in one of five directions (*Indirizzi*): economics, sociology, politics and history, international

relations, and *administration*. Some 26 faculties of political science at present offer a degree in political science with a specialized curriculum offering courses such as public administration, policy analysis, comparative administration, and organizational theory. Also, single courses in public administration are offered by many political science faculties, whereas courses in comparative administration and in policy analysis are more rare.

Publications concerning public administration – including works specifically conceived as textbooks – with a social science approach started appearing in Italy in the 1960s. The first non-juridical textbooks available were translations of volumes such as F. Heady's *Public Administration* published in Italian in 1968, or M. Albrow's *Bureaucracy* translated in 1973, later followed by R. Mayntz's *Soziologie der öffentlichen Verwaltung* in 1982, C. Ham and M. Hill's *The Policy Process in the Modern Capitalist State* in 1984, F. Dupuy and J-C. Thoenig's *Sociologie de l'administration française* in 1986, Y. Mény's *Politique Comparée* in 1990 (with the addition of references to the Italian case), E. Page's *Political Authority and Bureaucratic Power* also in 1990, Y. Mény and J-C. Thoenig's *Politiques Publiques* translated and B. G. Peters' *The Politics of Bureaucracy*, both in 1991, and G. Poggi's *The State* translated in 1992 (after *La vicenda dello Stato moderno. Profilo Sociologico*, written in Italian by the same author and published in 1978). A number of 'classics' have also been translated and are used in teaching (such as Simon's *Administrative Behaviour*, Ph. Selznick's *TVA and the Grass Roots*, and M. Crozier's *Le phénomène bureaucratique*).

The first Italian textbooks in the field of public administration appeared in the late 1960s. G. Freddi's *L'Analisi Comparata dei Sistemi Burocratici Pubblici*, published in 1968, was one of the first non-juridical books used for the study of public administration. Other teaching materials of that period appeared inside readers in political science, such as a chapter contributed by F. Ferraresi to a reader on the Italian political system (Farneti 1973) or one by V. Mortara in the *Antologia di scienza politica* edited by G. Sartori in 1970. F. Ferraresi and A. Spreafico edited a collection of the 'classics' in this field (theories concerning the bureaucratic phenomenon, bureaucracy and its relationship with the political system, the organizational dimension, comparative aspects in western and eastern Europe) in 1975. One of the first textbooks specifically dedicated to the Italian case was the *Introduzione alla pubblica amministrazione italiana* by V. Mortara published in 1981.

With the exception of the volumes by Heady and Albrow, all the translations of foreign books listed above are still (in the Academic year 1998–99, the last year for which data are available) adopted for teaching public administration courses. The remaining part of this contribution is dedicated to offering the reader a description of the contents of the main Italian textbooks used on these course. (A special thanks goes to the publishing house Il Mulino that kindly provided the author with valuable information on the textbooks adopted by PA courses in Italian universities).

The textbook edited by G. Freddi, *Scienza dell' Amministrazione e Politiche Pubbliche* (NIS, Rome, 1989, 375 pp. Lit. 52,000), in its introductory chapter offers students a discussion of the reasons that account for the performance of the administration. The following chapters deal with more substantive topics such as the history of Italian administration, the structure of the central administration, the features of local government, the budgetary policy-making process, the relationships between the judiciary and the political system, and the history and characteristics of welfare policies in Italy. The last three chapters are more theoretical insofar as they discuss the specific contributions of organizational theory, policy studies and the comparative approach to the study of public administrations. A completely revised edition is at present in the process of being prepared.

D'Amico, R., Massari, G., Petralia, A. and Raniolo, F., *Manuale di Scienza dell' Amministrazione* (Edizioni Lavoro, Rome, 1992, 429 pp., Lit. 50,000): the first part of this textbook introduces the student to the development of the administration in a historical perspective, with specific reference to Europe Italy and the US; the second part discusses two distinct approaches – the first organizational, the second systemic – to the analysis of the structure and proceedings of public administration; the third part discusses the relationship between the political and the administrative systems. It also offers a chapter introducing the basic concepts of policy process and decision making. The final part deals with concepts (such as efficiency and effectiveness) and several 'tools' (such as cost-benefit analysis, management, auditing) related to the internal operations of the administrative 'machine'.

L. Bobbio, *La democrazia non abita a Gordio* (F. Angeli, Milan, 1996, 103 pp., Lit 20,000): the focus of this volume is on decision-making processes within the public sector and it explains the basic models developed in this field; it then describes the transformations taking place in the administration, the changing relationships between public and private sectors and their implications for policy making, and finally offers a framework for the analysis of decision-making processes based on the actors, their resources and strategies. The volume is easily readable and especially useful for students in their initial approach to such topics.

G. Melis, *La burocrazia* (Il Mulino, Bologna, 1998, 109 pp., Lit. 12,000) offers a short historical reconstruction of the history of Italian bureaucracy up to present day attempts to reform it, with a focus on the civil service.

F. Cerase, *Pubblica amministrazione. Un'analisi sociologica* (Carocci, Rome, 1998, 288 pp., Lit. 42,000): The author's stated aim is to analyse, by using a sociological approach, the relationships between administration and society at large, and more precisely to show how actors are connected to bureaucratic action, with their interests, strategies and choices, and determine the performance of the administration in respect to 'social life reproduction', and in particular its capability to satisfy societal needs, within a specific institutional and organizational context. Thus the first part of the

volume is focused on the relationship between administration and the environment, and its capacity to 'deliver' to society. The second part explains the 'classic' Weberian model of bureaucracy and its implications for the relationships between the administrative and the political spheres, paying special attention to the policy implementation phase; it also expounds the unexpected consequences of bureaucratic action and discusses adaptive behaviour adopted by both administrative organizations as well as by the individuals operating within them. Part four offers an analysis of the professional and sociological 'identity' of Italian civil servants, considered as social actors, on the basis of empirical data collected by the author. The final part of the book discusses some of the reasons that hinder a reform of Italian administration and, prescriptively, offers several suggestions about what should be changed.

A thorough descriptive overview of Italian administration, albeit with a prevailing juridical 'cut', is provided by S., Cassese, *Il sistema amministrativo italiano* (Il Mulino, Bologna, 1983, 395 pp., (Lit. 25,000)); the volume describes the historical development of Italian administration, examines the constitutional provisions concerning this specific topic, offers an interpretative model of the relationships with the political system, describes the complex structure of central and local administration, discusses the causes of the poor functioning of the public sector, provides indications to students interested in further study of specific topics, and ends with a brief analysis of the situation and the developments taking place in the administrative systems of other countries. As the volume has become outdated, Cassese (who in the meantime covered the position of minister responsible for administrative reform), jointly with C. Franchini, has edited another volume, *L'amministrazione pubblica italiana*, (Il Mulino, Bologna, 290 pp., Lit. 25,000), in 1994 second edition) on the developments and reforms occurring within Italian administration with contributions concerning such aspects as the introduction of new administrative structures at the state level, civil service, the control system, public finance and accountability, administrative procedures, local government, the privatizations of state-owned industries, the relationships between citizens and the public sector. The book also offers a discussion of the main features of the Italian administrative system and of the influence exerted on it by the European Union.

An overview of the modernization process that has taken place in Italy during the 1990s, affecting both central and local administrations in such crucial aspects as the various forms of controls used, the management of human resources, the 'style' of relationships between citizens and the administration, the privatization of state-owned firms and services, and the rise of new types of administrative organizations (as in the case of the 'Authorities') is offered by the textbook written by M., Righettini, *Elementi di Scienza dell'Amministrazione* (Edizioni Lavoro, Rome, 1997, 237 pp., Lit. 35,000). Beyond its contents, it is worth pointing out that the volume takes special care in making itself easily accessible to students through the fre-

quent use of graphics and by highlighting essential concepts (which is unusual in Italian textbooks).

One of the few textbooks available in the field of comparative administration is written by A. Minelli, *Amministrazione, Politica, Società. Un'analisi comparata di sistemi amministrativi in azione* (F. Angeli, Milan, 1990, Lit. 26,000). This book describes the public administrations of four countries (US, France, Great Britain and Italy) according to a comparative framework that considers the administrative as well as the political, social and economic features of each system; descriptive generalizations are offered, and possible explanations based on the finding of regular connections between administrative phenomena and the above-mentioned features of the countries being studied, thus avoiding a mere description of their political and administrative systems.

A basic textbook used in policy analysis courses in the *Dizionario di politiche pubbliche* edited by G. Capano and M. Giuliani (Il Mulino, Bologna, 430 pp., Lit. 46,000) containing a discussion of some one hundred fundamental terms used in policy studies, from 'advocacy coalitions' to 'valutazione'. The first part of the volume by B. Dente, *Politiche pubbliche e pubblica amministrazione* (Maggioli, Rimini, 253 pp., Lit. 30,000) is also used since it offers a theoretical introduction to policy studies insofar as it discusses the relationship between political science and policy analysis, and the approaches to the study of policy decision making and implementation, as well as aspects connected to administrative management.

BOOKS REVIEWED

Albrow, M. 1970. *Bureaucracy*. Pall Mall Press. Italian translation 1973. *La burocrazia*. Bologna: Il Mulino.

Dupuy, F. and Thoenig, J-C. 1983. *Sociologie de l'administration française*. Paris: Colin. Italian edition 1986. *Sociologia dell'azione burocratica*. Bologna: Il Mulino.

Ferraresi, F. 1973. 'Gli interventi politici della burocrazia italiana,' pp. 439–60 in P. Farneti (ed.), *Il sistema politico italiano*. Bologna: Il Mulino.

Ferraresi, F. and Spreafico, A. 1975. *La burocrazia*. Bologna: Il Mulino.

Freddi, G. 1968. *L'analisi Comparata dei Sistemi Burocratici Pubblici*. Milan: Giuffré.

Ham, C. and Hill, M. 1984. *The policy process in the modern capitalist state*. Brighton: Harvester. Italian translation. 1986 (new edn. of 1993 transl. in 1995). *Introduzione all'analisi delle politiche pubbliche*. Bologna: Il Mulino.

Heady, F. 1966. *Public administration: a comparative perspective*. Englewood Cliffs: Prentice Hall. Italian translation. 1968. *La pubblica amministrazione: prospettive di analisi comparata*. Bologna: Il Mulino.

Mayntz, R. 1978. *Soziologie der öffentlichen Verwaltung*. Heidelberg: Müller. Italian translation. 1982. *Sociologia dell'amministrazione pubblica*. Bologna: Il Mulino.

- Mény, Y. 1987. *Politique comparée*. Paris: Montchrestien. Italian translation 1990. *Istituzioni e politica* Rimini: Maggioli.
- Mény, Y. and Thoenig, J-C. 1989. *Politiques publiques*. Paris: Presses Universitaires de France. Italian translation. 1991. *Le politiche pubbliche*. Bologna: Il Mulino.
- Mortara, V. 1981. *Introduzione alla pubblica amministrazione italiana*. Milan: F. Angeli.
- Page, E. 1985. *Political authority and bureaucratic power*. Brighton: Wheatsheaf. Italian translation. 1990. *Burocrazia, amministrazione, politica*. Bologna: Il Mulino.
- Peters, B. G. 1991. *The politics of bureaucracy*. New York: Longman, Italian edition. 1991 (1995 edn. publ. in Italian in 1999). *La pubblica amministrazione*. Bologna: Il Mulino.
- Poggi, G. 1978. *La vicenda dello Stato moderno. Profilo Sociologico*. Bologna: Il Mulino.
- Poggi, G. 1991. *The state. Its nature, development, and prospects*. Stanford: Stanford University Press. Italian edition. 1992. *Lo Stato*. Bologna: Il Mulino.

NEW INSTITUTIONALISM AND ORGANIZATIONAL THEORY: A REVIEW ARTICLE

JEAN-CLAUDE THOENIG

Professional basketball and academic organization theory seem to share something in common: they create heroes and share rites. The American National Basketball Association sets up each year an All Stars game and celebrates the Most Valuable Player. An emerging Scandinavian League of New Institutionalism honours a great scientific figure among its members by sponsoring a collective book.

James March is the hero of *Organizing Organizations*. In 1998 he turned 70. In 1999 Johan Olsen celebrated his sixtieth birthday. He became the hero of the second book, *Organizing Political Institutions*. Such initiatives show a reciprocity principle at work. Johan Olsen is one of the editors of the 1998 venture dedicated to James March. One year later James March writes an essay for the celebration of Johan Olsen. They also suggest that the rite is very prestigious and that the MVP has been co-opted by his peers: the list of contributors looks like a Gotha of the disciplines (organization theory and political science). Such initiatives distinguish scholars who have a strong professional record. March and Olsen have made impressive contributions to the advancement of knowledge. Like Michael Jordan and the Chicago Bulls, one can say that after James March and Johan Olsen, the game will never be the same as before. No surprise that most of both books deals with the outcomes of their 30 year long collaboration: the garbage can model of choice and the new institutionalism.

Organizing Organizations is a one hundred per cent Scandinavian co-authored production. It was derived from an original introduction by Nils Brunson and Johan Olsen called *Organization theory: thirty years of dismantling, and then . . . ?* and 13 previously published articles or chapters (most of them in English) by 23 different contributors. The year after, of the 15 essays dedicated to Johan Olsen half were written by Norwegian and Swedish scholars and the other half by authors from the USA, Australia and Europe, such as Christopher Hood, Renate Mayntz, Fritz Scharpf and Guy Peters, to mention but a few.

Beware of Festchrifte! Usually they please the recipient and his/her friends who were selected to contribute. But the reader who does not belong to the inner circle gets bored and the publisher does not make a fortune out of its sales. Festchrifte are also 'unfair' since they do not consider other schools of thought or other authors not closely associated with the recipient. Certainly these two books have not been able to avoid all the booby traps. Apart from March and Olsen and authors inspired by them, positive refer-

Jean-Claude Thoenig is at INSEAD, Fontainebleau and Centre National de la Recherche Scientifique, Ecole Normale Supérieure, Cachan, France

ences to other traditions are not the rule of the game. *Festschritte* may also have the taste of Club Méditerranée buffets: a lot of food with many different elements, but hardly a common theme. Take the 1998 book: despite an effort to classify the contributions under two distinct parts – ‘The organizational mosaic: beyond markets and hierarchies’, ‘Organizing: beyond environmental dictates and rational design’ – and the common denominator of short empirical studies testing a specific area of March’s focus of interest, heterogeneity remains the name of the game: neither the empirical fields nor the classes of problems covered have much in common. To some extent the same could be said about the 1999 book. It looks a bit like a very loosely coupled text. Some authors have extracted teaching or research notes from their computer while others have specifically discussed an idea or result generated by Olsen’s impressive record of publications.

Nevertheless as *Festschritte*, both books rank among the good ones. The editors have chosen to show science in action and in question, rather than sending flowers to the recipients – i.e. telling inflated anecdotes about their respective lives and achievements. In the case of March and Olsen, it supplies evidence about their unusually wide array of focuses: decision-making, learning, meaning in action, allocation of attention, organizations, political institutions, public agencies, nation states, administrative reform, European system of governance, etc. At the same time, both scholars have been able to reinforce the bridges between sociology and political science, micro and macro, public policy studies and human action in organizing, around a few common basic and powerful models or approaches. For the outsider, therefore, there are, at least two reasons to purchase both books, not so much for the beginner but the already seasoned social scientist. One deals with relevant and long-lasting breakthroughs in scientific work; the other one is linked to the relationship between creativity and evidence.

In the last two or three decades, organization sociology has experienced an unusual event which could be called cosmetic differentiation. More than thirty new theories or paradigms have been put on the market, from resource dependance and population ecology to postmodernism and gender study. Some of them to die after a few months while others last for a few more years, depending upon the ability of their founders to generate Ph.D students of their own or to control editorial boards of specific journals. The good news with March and Olsen is that their contributions have lasted for much longer than average. They take their roots from the neo-behavioral revolution initiated in the second part of the 1940s by Herbert Simon and his critique of the classical theory of organization. Bringing the relativity of rationality and the importance of human action back in, it has allowed social sciences to become scientific, dropping principles and substituting laws as criteria of knowledge. From this perspective, both books can be interpreted as signs of the good health of current research about organized phenomena. Context matters because contexts vary. Therefore most of the dimensions or parameters which structure organizations are the conse-

quences of human activities, or must be analysed as socially constructed. Neo-behaviouralism and the Carnegie School contributions are part of the basic assets on which science is practised today.

The March, as well as the Olsen *Festchrifte*, provides a detailed and cumulative account of two of the recipients' best known common contributions. At first sight, one might wonder about the continuity between them. While the garbage can model of choice seems to bring the social deconstruction of organizational commonalities to the very end (decisions are the quasi-random result of convergences between actors, problems, solutions and choice opportunities) and therefore implies that organizational reality is a matter of where each individual member stands, the new institutionalism seems to take a completely opposite view by rehabilitating commonalities, or, more precisely, bringing back the system (values shape the action and interpretation span of individuals). The former model is the ultimate critique of Taylorism. Decisions are taken as consequences of scattered allocation of attention and ambiguous mutual understanding of content – while the latter is a severe attack on the arrogance of rational choice theory – individuals and groups are not only driven by the consequences particular outcomes may have for them but are also influenced by the way they appropriate values. This suggests by the way that March as well as Olsen understand what social sciences are: a combination of social criticism and analytical rigour. But the point to be underlined here is that the new institutionalism approach can and should be understood as the next step of the neo-behavioural school: while organizations are political systems, governed by power phenomena and transitory coalitions, they are not just settings piling up the sum of their individual parts. In other words, rationality may be contextual, but nevertheless the parts of the system have something in common which may be linked to what the system defines as appropriate behaviours. Membership makes a difference.

Public administration scholars will find many good and exciting reasons to read these two books. Public agencies and public policies are empirical problems which March and Olsen have studied in depth: the garbage can model of choice was framed after studying successions in deanship in universities, while the new institutionalism manifesto of 1984 was part of the wild debate about how to govern polities and how to manage public authorities interventions in societal issues. About half of the 29 contributions report results of empirical studies to which a conceptual and analytical framework inspired by March and Olsen was applied: local government, non-governmental organizations, national policies, European integration, democratic governance, public administrations. By the way, such a massive interest shown in particular by Scandinavian authors benefits from the funding collected in Norway through three major advanced research programmes headed by Olsen himself and which covered the distribution of power in that country, the organization and management of 'a better organized public sector' and the Europeanization of the nation state.

Two comments are worth making at this point. The first is that the division of work between sociology and political science, so common in certain Roman law inspired countries, just does not make sense. Public administration theory as such is not a specific discipline: it uses the same tools and criteria as any other social science based upon 'Verstehen'. Whether they are firms, not-for-profit institutions or ministries, organizational phenomena look alike. At the same time, good middle range theories not only may help explain why things are what they are in terms of action and structures, but also may help frame choice and action settings. To put it a different way, organizational knowledge as a theory and as a methodology should be part of the basic skills of public managers, policy makers and the faculty who train them. Both books underline the reason why contributions like those inspired by March and Olsen are powerful: they are action oriented and capable of being put into practice. The only major difference is that they consider specific contexts as a relevant parameter and causal dependancies as not always linear when relating micro and macro levels. Complexity arises in everyday life because, at all levels, degrees of variance exist. At the same time there is no need to invoke principles such as human discretion – à la Crozier – or methodological individualism – à la Boudon – to impose one and only one favoured level of entry for action modelling. Complexity is not something given, it is a question to be analysed. Organizations are organized, reorganized and organizing at the same time. Such a total or open perspective has nothing in common any longer with traditional approaches such as the division between formal structures and informal phenomena, or between daily functioning and institutional reforms.

The second comment is linked to specific contributions. The 1999 book for instance mixes the best and the not so convincing aspects. It is open to question once again, whether Max Weber's ideal type of bureaucracy can be interpreted without referring it to the research question he was trying to address, and therefore to classify it as the prototype of what classical organization theory is (classical being synonymous with authors like Woodrow Wilson, Frederick Taylor or Henri Fayol). Another blindness common to some chapters is the idea that bureaucracies as organizations are by definition integrated systems and that, as for instance Christopher Hood suggests, garbage can organization is able to offer a prescriptive design principle in order to enhance innovation and to counter balance corruption and opportunism. The enthusiasm for contributing to a Festschrift is no reason to make assumptions which do not integrate and to discuss the piles of evidence gathered since the pioneering studies of Philip Selznick and Michel Crozier. But there are reasons to read carefully the 1998 and the 1999 books. In the latter, for instance, Guy Peters offers a chapter called 'Institutional theory and administrative reform'. He applies to the so-called Gore Commission on 'Reinventing government' three versions (out of a total of seven identified) of the new institutionalism: the normative one (as

defined by March and Olsen), the Elinor Ostrom (or the rational choice inspired one), and the historical institutionalism approach as developed by authors like Peter Hall. Within the space of 24 pages, the reader gets a very scholarly explanation of what they deal with and of their differences. Peters is right to emphasize that they do not say much about design as such. He also recognizes that among the three approaches, only March and Olsen see change as certainly possible and even enduring. In the same book, Peter Laegreid and Paul Roness discuss 'administrative reform as organized attention'. They start with an observation which had already attracted the academic attention of scholars like Henry Mintzberg (not mentioned in the bibliography): time, energy and attention are scarce resources for political leaders. If so, how might reform be handled? The solution they suggest is: mix the garbage can model and neo-institutionalism! It is applied to administrative reform in Norway. The authors show that from a theoretical point of view such a policy is explicable as a process in which political leaders exert influence in an indirect way, manoeuvring the scene by steering the actors' role through different degrees of hierarchy and specialization or by regulating the decision-making process. Prescriptions are deduced which recommend more effort from political leaders in procedural than in substantive planning of reforms, in launching ideas and visions, and in control by random intervention. The 1998 book offers an informative review by Tom Christensen and Per Laegreid on the Norwegian research in *Public administration and Democratic Context*.

The 1999 book, even more than the March Festschrift, may also be used as an opportunity to understand how scientific knowledge can progress. Carol Heimer and Arthur Stinchcombe discuss the implications of the origins of items in decision streams. Comparing their own fieldwork on decision structures in firms and universities with the garbage can model, they argue that items have identities, names and histories. When related to bounded rationality manifestations in organizational practices, research should consider such a model in a more causal oriented way, which it does not do sufficiently, according to Heimer and Stinchcombe. Garbage or randomness of problems, solutions, decision opportunities, and participants come from somewhere and belong to someone. Coherence and attractiveness to items should be a matter for causal analysis. Heimer and Stinchcombe identify three kinds of constraint which model bounded or contextual rationality: the number of items that can be considered, their coherence as packages, their availability. The strong point made by the authors is that garbage retains its essentially social character. In other words, the March and Olsen use of randomness or garbage should be considered as metaphorical. Such a comment helps the social scientist appropriating or taking advantage of many contributions made by our two heroes. Words like garbage, appropriateness, institutional integration, to name but a few, are closer to metaphors than to concepts. Metaphors fulfil an important function in science: they are ways to question old concepts and the theoretical frame-

works or postulates they carry with them. While they open up the horizon to intuition and pave the way for new alternatives, they nevertheless do not offer fully rigorous theoretical and conceptual packages. They act as stimuli for analysis. As such, metaphors offer a decisive vehicle for scientific progress. What matters is not that a metaphor is right or wrong, but that it helps generate improved knowledge effects. From this point of view, both March and Olsen have made an impressive contribution to social sciences. In other words, one good way to read the garbage can model or the normative institutionalism model is to consider them as ways to empty our brain from postulates derived from common sense and get a stimulus to expand our perception of actual phenomena as well as to increase our ability to generate research questions or interpretations. They are incentives more than just outputs. A good illustration is given by the paper contributed in the 1999 book by March. He argues that a learning perspective is needed to study networks. While the model he offers to link learning to institutional integration could be criticized as rather incomplete or preliminary when not superficial, it would be a pity to throw out the baby with the bath water. The benefit does not result from the rigour of the demonstration, it derives from the fact that once more March is a pioneer in raising a good new question for further research. To some extent, social science as practised by March is close to poetry: art is one of the ways human beings expand their perception of the events and the world around them. Interpretation and rigour is the next step. A science peopled only by analysts and methodologists becomes a nightmare, resulting in sterility and declining knowledge. Public administration and political science desperately need to listen to scholars who master intuition and have a strong feeling for good research questions about democracy, rationality, and integration of organized activities, across the conventional boundaries between micro and macro, the state and the market, the formal and the informal constructs.

BOOKS REVIEWED

- Nils Brunsson and John P. Olsen (eds). 1998. *Organizing organizations*. Oslo: Fagbokforlaget. 352 pp. £25,-
- Morten Egeberg and Per Laegreid (eds). 1999. *Organizing political institutions*. Oslo: Scandinavian University Press. 388 pp. £24,-

THE ART OF THE STATE: CULTURE, RHETORIC, AND PUBLIC MANAGEMENT

Christopher Hood

Clarendon Press, 1998. 261pp. £30

The Washington Post recently featured a political cartoon entitled, 'The National Security Agency admits to computer failure or something ...' The drawing depicts America's key high-tech intelligence agents as bumbling dolts with beer and hotdogs in hand, watching CBS News on TV to discover the latest foreign intelligence while their computers go haywire, even explode in the background. One of the top brass observes the mess, 'I'm shocked! Shocked!' And another is on the phone, 'Round up the usual Chinese.'

Public Management in the United States makes headlines – or notoriety in political cartoons – only when something goes wrong in a big way and so someone must be blamed. In this case, it is conveniently the fault of the Chinese.

Christopher Hood's *The Art of the State* is a timely and important book, by one of Europe's most respected administrative scholars, addressing the seminal problem, as its subtitle indicates, 'culture, rhetoric, and public management.' Its critical analysis looks past the popular misconceptions, jargon and hype, past the current fashionable doctrines in public management, past the front page headlines of simplistic fault-finding to attempt to explore in depth the heart of contemporary managerial disputes and doctrines. Hood sees the culture of management arguments currently in a chaotic status, or in his words, 'loquacious, competitive, fad-prone, guru-ridden' (p.v). Of course, this dim view is not new, for long ago Harold Koontz made the eloquent case that the field's landscape is best characterized as 'the management theory jungle'. Hood's survey of 'the jungle' though is not only more recent but tries to erect an analytic framework for its exploration building on his two prior works, *The Limits of Administration* (1976) and *Administrative Argument*, with Michael Jackson (1991). However, in his new book the focus is shifted to an application of cultural theory and history, particularly the grid/group cultural theory as the basic methodology and analytical framework.

As is typical of Hood's writings, this text is tightly organized, well-written and thought provoking. Part one lays down its seven propositions as well as the essence of the cultural theory framework, based upon Thompson, Ellis and Wildavsky's *Culture Theory* (1990). In part two he applies the grid/group theory to public management thought and uncovers what he views as basic recurring patterns from the wide variety of crazy-quilt recipes now apparent in government organization and management literature. Four fundamental world-views are identified, described and analysed: hierarchist way, individualist way, egalitarian way and fatalist way. The third part focuses upon 'what sort of science public management is or can be and how cultural theory can contribute to that science' (p. 21).

Hood's conclusion is largely positive, namely that cultural theory can help to take us one step further than conventional analyses of rhetoric by differentiating the major rhetorical families, especially relating to issues of managerial modernization and global convergence. The author suggests the up-sides and down-sides of the application of his theoretical framework to such issues. On balance he believes that the intellectual scales tilt more in favour of divergence and diversity than advocates of modernization and globalization like to believe. Thus assessing the current 'art of the state' via the lens of cultural theory and history ends up neither 'sham' nor 'mere craft' but, according to the author, has much to offer. As Hood summarizes: '... a cultural-theory approach has much to offer to the art of the state, as a framing approach for thinking creatively about available forms of organization and in exploring a variety of what-to-do ideas that will always surround public services and government' (p. 241).

Different people will find different parts of Hood's book appealing. New MPA students or 'old hand' administrative practitioners would do well to read part two as a clear, concise, comprehensive survey of major public management ideas, their strengths and weaknesses.

Doctoral students and scholars of the field will discover a lot of 'theoretical meat' to chew and digest in parts one and three. Eclectic types (myself, for example) can enjoy the odd bits of nuggets, facts, figures and wisdom, stuffed throughout on public management, for instance, Bentham's 1825 essay summary on 'The Rules of Reward' (p. 105), or Confucian Public Management which Hood labels 'The Daddy of Them All' (pp. 76-82).

Hood's volume, however, is not without flaws. First, the reader should be cautioned that s/he must adjust to a definition of public management equated with 'the art of the state' or 'the problem of how to design and operate public services and the detailed work of executive government' (p. 3). For Americans who commonly regard 'state' as a sub-unit of the national government, or at the other extreme, Continental European who define 'state' as 'the whole ball of wax', his perspective is novel, if not quaintly English, but this problem is not major, for one can easily adapt to Hood's frame of reference.

More problematic is Hood's overall intellectual construct. While the author argues for the cultural-historical approach, he is partial to one version, the Thompson, Ellis, Wildavsky grid/group theory, but there are numerous others from classic works by Max Weber, Karl Wittfogel and S. N. Eisenstadt to more contemporary ones by theorists such as Guy Peters, Fred Riggs, Ferrel Heady, and Gabriel Almond. The list of names could go on, and on, but my point is why he chose this particular line of analysis over another is unclear. Similarly when he cites historical examples, there is a touch of Rankean idealism, for Hood tends to latch onto one interpretation as the gospel truth. A case in point is his discussion of American Progressivism. Drawing mainly from Judith Merkle's *Management and Ideology* (1980), Hood equates Progressivism with the top-down, hierarchist way. True, there is a lot of good old-fashioned, top-down management in Progressive writings, from Edward Bellamy to Herbert Croly, but one also does not have to dig very deeply into Progressivism to find an equal share of grass-roots Jeffersonian participatory democracy in such figures as William Jennings Bryan and Charles Beard. The reality remains that most Progressive management theorists from big stars like Frederick W. Taylor to bit part players such as Richard S. Childs were a mixture of both, stout Hamiltonians and democratic Jeffersonians. Of course, if Hood started seeing more grey than black and white in history, his neat four-fold schema would crumble, or cracks would begin to show. Where would Progressivism fit then? Under the hierarchist or egalitarian way? A problem the author ignores.

What is the most troublesome flaw, at least to this reader, is that despite Hood's valiant rigour displayed at applying cultural theory to contemporary public management thought, he reflects little if any self-awareness of his own cultural biases that he carries into his analysis. It seems as if he has found the magical Archimedean point from which the world of public management can be surveyed, then moved, neutrally, objectively and thoroughly. But no one has yet discovered such a place, because all of us, for better or worse, or better *and* worse, are bound by our peculiar cultural outlooks. It is no accident, for example, that Bentham's Utilitarianism or American public choice doctrines sprang from Anglo-American individualistic, anti-statist cultures or that notions of public management are entirely missing from Chinese Communism in which the PARTY, not autonomous public management, or public managers, show the way, the truth, and the light. In other words, does Hood's own predilection for seeing managerial pluralism abound reflect more about the author's anglo-cultural heritage than he openly admits or, hints at up-front to readers?

RICHARD J. STILLMAN II
University of Colorado

GOVERNING IN THE INFORMATION AGE

Christine Bellamy and John A. Taylor
Open University Press, 1998. 196pp. £18.99

Despite its somewhat fashionable title, this is not a book about how information and communication technologies (ICTs) are inexorably transforming the nature of government and public administration at the end of the millennium. It is not even about the Utopian or dystopian visions which many studies of ICTs have proclaimed for the future of democratic government, although the authors are not afraid to confront such visions. Rather, it is about developing a unique and alternative approach to studying public administration and government: one which takes information as the central analytical device for understanding the structures and processes of modern government. It must be read, therefore, as a mainstream study of public administration rather than as a study of new technologies in government.

In developing their unique approach, the authors address many of the key issues which surround the rapid growth of ICTs in government over the last decade. The introductory chapter sets the context of public administration at the end of the twentieth century, charting the growth of ICTs and exploring the different approaches which other authors have adopted to the study of new technologies. Three chapters then follow which analyse different features of government in the information age. Chapter 2 examines the extent to which new technologies can underpin attempts to re-engineer the processes of public administration, focusing particularly upon the links between new public management and the explicit efficiency savings associated with many technological investments. Chapter 3 addresses the growing interest in electronic service delivery and the ways in which ICTs have become a central feature of the consumerist agenda, while chapter 4 extends this analysis by examining the changing nature of citizenship in the information age. Its main conclusion is that new technologies are being deployed primarily to support a consumer democracy: that is, a democracy which 'rests on an instrumental, rather than a republican, conception of the individual's relationship with government'.

Chapter 5 stands somewhat on its own, providing a more detailed case study of telecommunications policy and its effect on public administration. It is particularly concerned with the concept of universality in telecommunications and the potential impact of differentiated service provision on social exclusion. While different from the rest of the book in terms of the level of detail in which it engages and the arguments it pursues, it is nonetheless a valuable addition to the overall study.

Overall, these first five chapters provide a comprehensive and coherent analysis of the issues surrounding the deployment of new technologies in modern public administration. They are supported by a wealth of empirical evidence drawn not only from case studies of British government, but also from European and American studies. All of this should give the book great appeal to students and practitioners of public administration alike, even if much of the content revisits well-rehearsed arguments. It is the concluding chapter, however, which sets the book apart from other contributions to these debates by setting out a series of theoretical propositions for understanding government in the information age. Throughout the book the authors allude to their inherently institutional approach to the study of public administration. The significance of this approach only becomes fully apparent in this last chapter, however, as the authors set out their theory of an information polity composed of information domains which reflect 'specific epistemic discourses which shape information and validate particular kinds of interpretation'. Their central argument is that ICTs support and enhance existing institutional power structures more often than they alter them. Importantly, this is not because of some inherent properties of the technologies but is a consequence of the institutions into which they are introduced. In this context radical technologies are rapidly tamed to reflect dominant institutional values. New technologies are used to reinforce existing values and institutions, rather than to replace or reinvent them.

Such an approach is not without its problems. For example, the 'information polity' theory as it is set out in this text provides a broad framework for understanding the importance of institutions in mediating the application of new technologies, but says little about the ways in which such mediation occurs. There remains some ambiguity, therefore, over the extent to which institutions can explicitly impose internal values on ICTs, and the extent to which the unanticipated outcomes of many ICT projects are the consequence of implicit institutional politics. Likewise, the concept of 'information domains' sits comfortably with studies of professional discourses and technocratic politics, but does little to explain how new technologies can sometimes be used to liberate information from professional dominance, thereby challenging and altering information domains. Indeed, as with many institutional accounts, this theoretical approach is better at explaining continuity than it is change.

These limitations, however, should not be allowed to overshadow what is an intelligent and important contribution to contemporary public administration. The fact that these theoretical propositions come at the end of the book rather than the beginning suggest that the authors are seeking to engender debate rather than to conclude it. More than simply providing an account of information age government, therefore, this book provides a new point of departure for analysing modern governance. As such, it is essential reading for all those concerned with contemporary public administration.

LAWRENCE PRATCHETT

De Montfort University

THE POLITICS OF THE BRITISH CONSTITUTION

Michael Foley

Manchester University Press, 1999. 288 pp. £45.00, £13.99 (paper)

Michael Foley here offers us a perceptive and comprehensive account of how constitutional reform came to be adopted as a key plank in the Labour Party's platform in the mid-1990s and to function as a defining issue in the General Election of 1997. He identifies ten sources of discontent with the United Kingdom's constitutional arrangements, and sets out to show how, over the long period of Conservative government from 1979 to 1997, these discontents provided the fuel for a political campaign, initially conducted outside the boundaries of party politics by bodies like Charter 88, whose aim was the construction of an agenda for constitutional reform and its adoption by the only political institution which could carry through such a reform. Tony Blair's New Labour. Foley gives us a fascinating chapter on the debates within New Labour in the run-up to the 1997 election, and on the forces operating both on the Conservative government – forces which eventually led it to a stance of outright opposition to reform – and on the Liberal Democrats as the traditional political standard-bearers of constitutional reform. A final chapter, covering post-election events up to early 1998, registers some of the early doubts and difficulties encountered by the government in carrying through its reform project.

As description and analysis of how a particular kind of reform agenda was put together, advanced, politically adopted, electorally tested, and launched through legislation, *The Politics of the Constitution* is hard to fault – at least for this reviewer, a constitutional lawyer by trade. The story is clearly and convincingly told and broadly referenced. Foley's ambitions, however, go beyond simple story-telling. This is a story with a point, and the point is that 1997 marked a watershed in British politics and in our approach to constitutionalism. Neither will ever be the same again, because explicit constitutional change and reform has become, and will remain, a matter of political debate. On the one hand this will change our politics, which will need to find a permanent space for a new, legalistic concern with process and institutions

alongside debates about substantive policy measures. On the other, it will change (or has already changed) our view of our constitution, which henceforth will have a double aspect, accommodating both a traditional view – the constitution as the flexible result of an accumulative, pragmatic and improvised process of change – and a new view, emphasizing constitutional constraints on government in the forms of individual rights, enhanced democratic representation and structural self-restraint. Foley concludes by suggesting that these two versions of constitutionalism are in the United Kingdom doomed to a continuing, uncomfortable, but probably necessary co-existence.

I find little difficulty in accepting this final proposition, but much more in believing that this state of affairs has come about as a result of the particular political process that this book describes. Foley squeezes a wide and varied range of constitutional developments through the narrow and artificial channel of a 'constitutional politics' defined by the activity of campaigning, in opposition or outside government, for a specific group of constitutional reforms, such as PR, a bill of rights, and devolution. He does not explain why the process of changing the constitution in accordance with such an agenda should effect more fundamental modifications, either in the constitution or in political discourse, than changing it (or trying to change it) in pursuance of a programme conceived while in office.

In fact, governments have in recent years initiated major constitutional change by progressively structuring and stabilizing the context of economic and social decision making, so as to reduce the size of the arena for old-style political debate. By far the most important constitutional step along this road was our accession to the European Communities in 1973, which equipped us overnight with the economic chapter of a written constitution, and helped to stimulate other changes restricting political discretion, like the growth of judicial review. The depoliticization of administration, and even of mid-level policy choices, is a long-standing and bipartisan project in which the Blair government's Public Service Agreements and Code of Fiscal Stability represent a direct continuation of Thatcher's Financial Management Initiative and Next Steps programme and Major's Citizen's Charter.

All these initiatives turn away from political debate in Parliament as the source of legitimacy for policy or of accountability for administration. Instead they look towards stable economic principles, respect for individual rights, a more demanding sense of legality in government, and the direct access by citizens to standards of performance for public functions, as their instruments for these purposes. Arguably they have already produced a bigger change at the core of our constitution, through the de-centering of Parliament, than will follow from whatever parts of the reform agenda are implemented in this government's current term of office. Yet in Foley's treatment, these developments appear only as types of constitutional 'fuel', problematematic events and situations which give rise to public awareness and discussion of constitutional issues. No doubt they have had this effect, but it seems perverse to pass over their function as agents of actual constitutional change, and as direct contributions to an increased tension between 'empowering' and 'constraining' elements both in constitutional discourse and in the constitution itself.

TERENCE DAINTITH
University of London

THE EXECUTIVE IN THE CONSTITUTION: STRUCTURE, ANATOMY AND INTERNAL CONTROL

Terence Daintith and Alan Page
Oxford University Press, 1999. 441 pp. Price not known

The subject area of this major study, a product of the ESRC's Whitehall programme, is on the face of it a familiar one – the executive institutions and functions of UK government and the

constitutional constraints to which they are subject. What is new is the approach adopted by the authors, which is to burrow inside the outer trappings of executive arrangements and examine, in great detail, the complementarity of external and internal control mechanisms. The latter is explained at the outset by analogy with regulatory compliance in commercial firms' external regulation in that context depends on internally employed compliance officers to make it work. Comparable instances of such reciprocity can be found throughout executive government. But the importance of 'structural coupling' between internal and external mechanisms have largely been ignored by constitutional lawyers when discussing key aspects of accountability and control, such as ministerial responsibility.

Moreover, traditional constitutional analysis has tended to emphasize the quintessentially monolithic and unitary concept of the Crown, aptly described by the authors as 'a medieval conceit with early modern embellishments', and to see things in terms of the classical triangulation of separated 'powers', which does scant justice to the complexities and subtleties of modern governmental arrangements. The executive itself 'is barely known to the law'. The present authors emphasize the plural character of executive arrangements. 'legally speaking, what courts and Parliament seek to control is not a compact monolith, but a loosely constructed conglomerate, with a number of co-ordinate loci of power and responsibility, the 'departments'. And, of course, ministerial departments themselves are far from monolithic, and have become even less so with the proliferation of next steps agencies – whose characteristics are discussed at many points throughout the book.

At the heart of this book is a 'resource based' conception of the state, with laws (and, by extension, enduring rules and codes of practice underpinned by consensus) rather than force being 'the resource to which the executive must get access'. Many of the issues that figure prominently in the literature of political science, such as prime ministerial style and its bearing on the dynamics of cabinet government are of secondary interest to the constitutional analyst, whose main concern is with 'lasting rules'.

One illustrative explanation of the value of such a constitutional approach to the analysis of the executive can be found in the authors' account of the role of the Treasury as part of the institutional basis for managing the financial resources of government. Having acknowledged the extensive literature on the Treasury – Beer, Heclo and Wildavsky, Thain and Wright, *et al.* – the authors suggest that (with the qualified exception of Beer) such works display 'relative indifference' to the constitutional dimensions of financial control. Later they suggest that: 'What a constitutional analysis may do is to disclose the formal bases on which [Treasury] power reposes and thereby to permit its being related to other types of power, such as that which a department might derive from a legal mandate empowering it, or requiring it to take decisions with financial consequences. In doing this we can in fact begin to sketch a *constitutional* explanation for the outcomes analysed in political and sociological terms by the general literature.'

The book includes an extensive chapter on the civil service, including discussion of the central departments, recruitment (with some topical relevance to continuing controversies about political advisers), and conduct and discipline – will the promised Civil Service Act be in place by the time this review is published? Three detailed chapters on the management and control of financial resources – including good discussion of the audit process, a particularly clear illustration of the complementarity of external and internal control mechanisms. There are chapters on the organization of government legal functions and services (including the Treasury Solicitor's Department, Parliamentary Counsel Office and the Law Officers); on the legislative process (much here on Europe); on the organization and co-ordination of litigation and legal advice; on 'executive legality' – including the growth of judicial review. The content of the penultimate chapter can be guessed from its cumbersome title 'Better government: charter standards, open government and good administration'.

The concluding chapter highlights a recurrent theme of the book, the continuing reliance on the self-discipline of the individual departments that make up the 'plural' executive, albeit modified in recent years in response to the drive for public management reform, to the increasing decentralization of central functions to departments and agencies and to the need to co-

ordinate European issues. New co-ordinating mechanisms have been emerging – the evolving role of the Treasury Solicitor in respect of the legal resources of government is one of several illustrations of this. There has also been some formalization of internal controls through the promulgation of documents ‘expressed in terms of standards, or principles, or rules, and hence looking rather like law’, and ‘there has been a flood of codes, handbooks, guidance, framework documents, charters, statements of principle, and other forms of normative material stemming directly from the public service reforms of recent years.’ Parliament is still struggling to find ‘new points of leverage on the reconstituted executive’; the courts seem to have kept up with developments rather better, and public service reforms may be having some interesting effects on the judicial process itself.

In summary, this is a formidable addition to the literature of modern UK government and public administration, written from an unusual and innovative constitutional-legal perspective. It is particularly impressive in its skilful intermixing of historical analysis of traditional principles and a wide-ranging review of the implications of post-1979 public management reforms. The book contains an extraordinary wealth of detail – sometimes to a point where the reader may occasionally get snarled up in thick undergrowth while struggling with the big questions. But to complain on that score would be deeply unfair to the authors of such a useful and truly impressive book.

GAVIN DREWRY

Royal Holloway, University of London

COMPLIANCE: REGULATION AND ENVIRONMENT

Bridget M. Hutter

Clarendon, 1997. 281pp. £40

Anyone who thinks regulatory ‘compliance’ is a clear-cut phenomenon, capable of being easily defined and measured, has been reading too many self-congratulatory reports by regulatory agencies and needs to read this book. It is based on close observation of the compliance activity of three field-level inspectorates in England and Wales (the Factory Inspectorate, Railway Inspectorate and the former Industrial Air Pollution Inspectorate) originally conducted in the middle 1980s. Hutter shows that what counts as compliance and non-compliance is a product of interpretation and negotiated meanings, that ‘accommodative’ rather than ‘deterrent’ strategies dominated in the behaviour of field-level regulators and that social relationships between regulators and regulated shaped the enforcement approach adopted.

While such findings might challenge the expectations of those who take at face value the legal/bureaucratic ideology of law enforcement as technical and apolitical, they are not counter-intuitive or surprising in the light of earlier socio-legal studies of regulator behaviour. Rather, the value of Hutter’s book lies in its detailed empirical grounding of those observations, in its comparison of three different regulatory regimes rather than the single-case study approach conventional in socio-legal studies of regulation, and in the extensive range of theoretical lenses through which it looks at its empirical specimens. The study does not explicitly follow a hypothesis-test method but uses a relatively open-ended process of observation to assess a number of socio-legal theories of regulation.

The book’s aim (p. 18) is ‘to add to our knowledge of the variations that exist in the enforcement of the law’ and it is structured around three related themes. The first concerns how working definitions of what counts as compliance are arrived at – for example how regulatory doctrines like ‘best practicable means’ or ‘reasonably practicable steps’ are interpreted on the ground, and what counts as ‘unacceptable compliance’ or ‘acceptable non-compliance’. In

identifying what shaped regulators' working definitions of compliance, Hutter concludes inspectors were more flexible when compliance costs were high and less so when safety risks were high (or after accidents or persistent non-compliance), with risk tending to trump compliance cost when the two principles clashed

The book's second theme concerns how compliance was assessed and monitored, including the way regulators struck the balance between routine work and targeted investigations and between 'proactive' inspections and reactive responses to complaints or accidents (the familiar distinction between 'police patrols' and 'fire alarms'). Hutter is sceptical of the much-praised 'Robens' doctrine that a good health and safety regulation regime should stress self-inspection supplemented by spot checks or concentration on problem areas by regulators as 'premised on an idealistic view of human behaviour' (p.151). But she does not explain why a targeting rather than a search-every-suitcase approach necessarily embodies a benign view of regulatees' disposition to comply.

The third theme explored in the book concerns how the meaning of compliance varied according to the groups being regulated – big versus small firms, occupations, companies and industries with a positive or negative image for compliance in the eyes of regulators. Hutter brings out the inspectors' various stereotypes of different regulatee groups, the games they played with the organizations they regulated (bluffing, level-jumping, petty confederacies, varying social demeanour), and the double-edged nature of big firms for inspectors seeking compliance. But though she discusses Black's theory of relational distance (that is, that regulatory formality varies inversely with social distance between enforcer and enforcee) and the theory appears to be consistent with her observations, she does not test it systematically for the three inspectorates she investigated.

Sensitively framed, well-written and impressively thorough, this study is likely to be a standard work on regulatory compliance for some time to come. But inevitably there are some gaps. The final section on 'policy implications' contains only the predictable conclusion that a mix of regulatory methods is desirable. This reader could not follow the logic that placed Ayres and Braithwaite's well-known 'enforced self-regulation' approach (the defining feature of which is a combination of different levels of enforcement) below persuasion in a hierarchy of enforcement strategies (pp.228ff.). Gaming approaches to understanding regulatory enforcement are dismissed in the casual style with which mainstream political scientists wrote off rational choice models of politics 25 years ago. Those who come to public administration from a political science perspective will be surprised by the lack of attention paid to theories of bureaucratic behaviour (such as bureau-shaping, Schafferian bureaucratic paradoxes, Mertonian dysfunctions) to account for some of Hutter's observations, such as opportunistic raising of standards (p.206). And we still lack a useful theory of active voluntary compliance in any of the social sciences. Overall, though, this is a vintage Rolls-Royce of a book – a quality product in a traditional style that is not only bulky and impressive but likely to be an appreciating classic of its type.

CHRISTOPHER HOOD

London School of Economics

THE CIVIL SERVICE IN BRITAIN TODAY

Colin Pilkington

Manchester University Press, 1999. 183 pp. £12.95

This book manages to embrace many of the potential deficiencies exemplified in the writing of British politics textbooks highlighted by Martin Smith ('Institutionalising the "eternal return"')

textbooks and the study of British politics', *BJPIR* (April) 1999 Vol. 1, No 1). Pilkington prefers description to analysis. Such an approach certainly lends itself to Chapter 2 – 'The origins of the Civil Service' which is an enjoyable read. But overall, he seems unwilling to engage in any of the major theoretical issues raised by the role of bureaucracy in modern society. Key themes regularly discussed in this and other journals are overlooked: the power of the civil service; the changing nature of power within the core executive; the New Right's attack on the culture of public service; the perceived shift from public administration to public management; and the move from government to governance and its impact on the policy process. Indeed, in recent decades, the nature of bureaucracy has been transformed by the impact of the transfer of functions upwards, outwards and downwards and, as a result of the last Conservative government's programme of reform, to re-impose executive authority over Whitehall. This has led some authors (see Foster and Plowden; Campbell and Wilson), wrongly in my opinion, to assert that the Whitehall paradigm has now been shattered. Yet, this textbook ignores the literature. Furthermore, it is just this type of theoretically informed discussion which can enthuse students when studying bureaucracy and help them to realize there is more to understanding Whitehall than simply knowing the formal, constitutional position of civil servants.

The format of this book is a descriptive, institutional account of the origins, development and modern day reforms of the British civil service (which he predominantly regards as a monolithic organization). Most of the material within has been presented elsewhere but in a more convincing, detailed and engaging manner. Indeed, one of the few claims of originality made in the book's synopsis is that it is: 'an up-to-date and introductory look at the British Home Civil Service and is the first such survey since the Labour Government took power'. Yet, there is no discussion concerning Labour's emphasis on 'joined-up-government', as their answer to Whitehall departmentalism. Nor does the author discuss the role and impact of 'task forces' (alternative policy networks?), the effect that the establishment of the Monetary Policy Committee has had on the Treasury or the impact that the present constitutional reform programme may have on the Westminster/Whitehall model. Instead, we are presented with an over-simplified discussion on Labour's proposals for Freedom of Information and on the potential politicization of the civil service through an increase in the number of outside political advisers. Furthermore, one of the key reforms of the previous Major administration stemming from the Senior Management Review – that of de-layering (the removal of Grade 3 civil servants from the old structure and the abandonment of the grading system for the Senior Civil Service) and increased delegation (the pushing of responsibility for policy work further down the Whitehall hierarchy) – are completely overlooked. So, even as a descriptive account of change in the processes of Whitehall, this book has serious shortcomings.

Elsewhere, the editor of this journal has observed that there is 'a distaste for theory' within institutional analysis. But, it does not have to be this way. One only has to look at textbooks in the field of sociology to realize things could be different. There, authors from the outset show no hesitation in exposing A level/1st year students to the key theoretical, methodological and conceptual issues involved in the study of their discipline. Unfortunately, at present, the comparable texts in British politics (see Smith 1999) and, in particular, those which concentrate on the civil service in either book or chapter form, still regard such an approach as alien. Smith attributes this to the pervasive affect the Whitehall model has had in framing the study of British politics. Perhaps – that is a debate to be discussed elsewhere. However, he is right to argue that only by making students engage in the study of politics in a similar fashion to sociology will we as a profession be directing them in how to 'do politics', rather than simply providing them with the capacity to regurgitate descriptions of institutional processes.

In this book's introduction, the author, a chief examiner in GCSE politics for AQA-NEAB, observes that in the study of politics there are a number of 'black holes'. He includes in this category, local government, the judiciary and the civil service which, he claims, students shy away from studying, teachers are wary of speaking on and authors of textbooks are reluctant to tackle. Here, I must disagree with him on all three counts. However, I do believe

that if we want to ensure that students engage intellectually in the study of politics or, more particularly, the sub-field of public administration, then traditional, institutional and description based accounts, such as we find here, have to be discarded and replaced by textbooks which provide students with the key theoretical and analytical themes of our discipline.

DAVID RICHARDS

University of Liverpool

ROLLING BACK THE MARKET: ECONOMIC DOGMA AND POLITICAL CHOICE

Peter Self

Macmillan, 1999. 265pp. Price not known

This book was written shortly before the author died. It should be read both as an important book in its own right and as a guide to Peter Self's life work. Peter Self made a major contribution to the study of public policy and of public administration, as well as pursuing his concern for town and country planning.

The book is devoted to a theme that came to occupy much of Peter Self studies in the latter part of his career. He was concerned about the increasing dominance in public policy of economic theories whose limitations he has continuously exposed. He argues that at best 'orthodox' economic theory is an ideal version of a full competitive market system that does not exist in practice and not a prescription for a good society, ignoring as it does social values and considerations of equity.

He was even more concerned about the influence of a series of prescriptions or as he preferred to call them dogmas about public policy, which were assumed to be justified by economic theories.

These dogmas include:

- the 'free market' and market-led growth are the principal and overwhelmingly the most important source of wealth;
- large incentives are necessary to market efficiency;
- the wealth created by free markets will trickle down from the successful to benefit all members of society;
- the market is intrinsically more efficient than government;
- to gain greater 'efficiency', governments should be redesigned according to market methods and incentives.

The author argues that these dogmas have little support even in economic theory and that where they have some justification, they represent at best a partial truth. He goes on to look at the dangerous consequences or the dominant influence of these dogma on political thought in economic policy and upon the functions of government. He argues that is has led to a very limited concept of individual liberty ignoring social responsibility. Economic concepts of welfare and growth have ignored issues of the distribution of wealth. Market concepts applied to government have had dangerous consequences for equity and accountability and have subjected government to market pressures and the danger of corruption.

The book highlights the fact that the actual results of global capitalism based on the domi-

nant market dogma are very far from the claims made for it. It has led to instability, environmental discussion, the undermining of trust and social values, sharp differences in wealth and incomes both within and between countries.

Peter Self sees the triumph of capitalism over communism as leading to a new danger to democracy, that of unconstrained market forces. The book is a powerful statement of the dangers to social, environmental and political values of an 'aggressive global capitalism'. It stresses the urgency of reforming the systems, rejecting those who see these dangers as inevitable and stressing the hope that collective democratic action can succeed.

Peter Self fully accepts the value of a competitive market system, but not one that is dominant globally over all environmental social and political considerations.

He does not see New Labour's third way as an adequate response because it does not confront the hard issues about the economic system. Instead he proposes a set of reforms to limit the danger inherent in the over-dominance of the capitalist system, believing that national states have the capacity to act, although regional and international action will be required. Action by national states is dependent on democratic renewal. Peter Self sees the potential for such renewal in new political forces rooted in the environment and social issues and in the growing critique of unconstrained capitalism which could be harnessed by a revived social democracy. It is therefore pessimistic about current political, economic and social trends, but optimistic about the possibility for reversing them.

It is a powerful book which should be widely read. Many who may not share his views, will still recognize the power of his critique. The book marks a fitting culmination of an impressive academic career.

JOHN STEWART
University of Birmingham

AUDIT, ACCOUNTABILITY AND GOVERNMENT

Fidelma White and Kathryn Hollingsworth
Clarendon Press, 1999. 221 pp. £45.00

This book makes a significant contribution to the debate on the accountability of the public sector in Britain. Written from a public law perspective, the authors explain how public sector organizations are held to account by central government's auditing and accounting procedures. There are also separate chapters which discuss accounting and auditing procedures at the sub and supra national level.

Written in non-technical language, the historical development of public sector accounting and auditing methods are appraised and set in a constitutional framework. A central theme is the impact of new public management on accounting and auditing procedures. The authors explore a number of the tensions caused by the different requirements of democratic and management accountability, particularly in the new public bodies created in the last twenty years. Also discussed is the increasing influence of private sector methods in the public sector which has resulted in the growing importance of management accountability, occasionally at the expense of democratic accountability.

The main focus of the book is the accounting and auditing process carried out by central government, which the authors discuss in the context of constitutional convention and Acts of Parliament. The authors also explore in detail the functions of the Head of the National Audit Office (NAO), the grandly titled Comptroller of the Receipt and Issue of Her Majesty's Exchequer and Auditor General of the Public Accounts (C&AG) and Parliament's Public Accounts Committee (PAC).

The jurisdiction and independence of the C&AG are discussed in separate chapters. The authors are concerned that there are weaknesses in the material (the type of audit) and institutional (what may be inspected) audit jurisdictions of the C&AG. The authors argue cogently that present accounting arrangements are unsatisfactory as the C&AG does not have automatic right of inspection of several Non-Departmental Public Bodies (NDPBs), Local Public Spending Bodies or private contractors.

The tensions in ensuring the independence of the accounting and auditing bodies are explored in depth. The authors explain well the complicated relationship between the C&AG, the NAO and their principal audience the PAC. The connections between the C&AG, the NAO and government and the Treasury are also discussed.

Public sector accountants and auditors work within a well-defined framework and publish their findings in a format which is appropriate for their principal audience. According to the authors, the reports produced by the C&AG and NAO are written primarily for the PAC as the principal audience. In their evaluation of the present system, the authors note the considerable expertise of members of the PAC. Nevertheless, reports produced by the NAO should be written to be accessible; indeed, it is part of their remit that their reports are penetrable by non-accountants. However, the authors argue that the steps taken by the previous Conservative government to improve financial management will reduce the importance of accounts recording cash flows. Instead there will be greater use of accounts based upon Resource Accounting and Budgeting (RAB) methods which will use complex technical information on the deployment of resources. The authors argue this change will make interpretation of public sector accounts more difficult. Although, management accountability will be enhanced, the authors argue that democratic accountability will be reduced.

This is a scholarly and well-written book. There is a considerable wealth of detail of the working of central accounting and auditing methods, written in an accessible format. The authors explore the contribution of the process of accounting and auditing to democratic accountability ensuring that governments are answerable for their actions. The authors make a number of suggestions for the reform of present arrangements. Most of these appear sensible, yet their case for reform is underdeveloped and the authors could have usefully extended their arguments further.

The chapter on the Audit Commission which discussed accountability and audit at the sub-national level was also disappointing. Presumably lack of space prevented the authors from discussing the tensions in local government caused by multiple accountabilities. Moreover, the fascinating constitutional implications of the Audit Commission, a corporate NDPB, holding to account, on Parliament's behalf, councils which are directly elected were not examined fully.

Lastly, there is always the difficulty in writing on a rapidly changing area that events overtake the author. Thus the discussion on accountability and devolution in Scotland and Wales was incomplete and the implications of the Audit Commission's role in regulating the implementation of the Best Value regime in local government are not discussed.

In spite of these criticisms, this book is to be highly recommended for those interested in British politics, public administration and constitutional issues. Well researched and written, the authors handle their material well and make excellent use of comparative material and case law.

JOSIE BROOKS
Southampton Institute

THE NEW MANAGEMENT OF THE BRITISH LOCAL GOVERNANCE

Gerry Stoker (ed.)

Macmillan, 1999. 280pp. £14.99

The publication of an edited book composed of papers which interpret findings from a set of supposedly interrelated projects from a research programme (in this case the ESRC Local Governance Programme) represents a 'moment of truth' for the research initiative concerned. Have the research framework and terminology which invariably accompany such initiatives (and certainly did in this case) been adhered to by all (or most) of the contributors? Do the contributions collectively result in an integrated whole which reflects this common framework and terminology, or do they come over as a relatively disparate set of pieces with few inter-linkages or common themes? To what extent (to use the familiar metaphor) is the book more than the sum of its parts?

The New Management of Local Governance does display some degree of internal coherence and cumulative impact, but not perhaps as much as might have been anticipated from an initiative where considerable efforts were made to ensure such coherence. As a participant in the programme, I well remember the workshops on policy networks and the visits from the programme co-ordinator, which emphasized the extent to which the programme was seen as an integrated whole. Certainly a significant steer is apparent from the first two contributions in the book; an extended foreword by Rod Rhodes and an introductory chapter by Gerry Stoker. Rod Rhodes helpfully, explores the concepts of governance, 'self-organising interorganisations/networks', 'the hollowing-out of the state' and 'interdependence and resource-exchange'. None of these concepts are unfamiliar, but their relevance to the programme is clear, as is the markets/hierarchies/networks distinction and the mechanisms of trust, diplomacy and reciprocity which Rhodes emphasizes.

Gerry Stoker's introductory chapter is partly a context-setting exercise and partly a *post-hoc* attempt to draw out common themes from the subsequent contributions. The distinctions between markets, hierarchies and networks are again emphasized as a central element of the common framework. The lack of internal coherence in the different elements of what has come to be known as the 'new management' are noted, and evidence of implementation gaps, unintended consequences and unintended benefits of the application of 'new management' principles to the different policy areas studied in the research programme are explored. Each of the subsequent 13 chapters gets at least one mention, and by the end of the introductory chapter the expectation of internal coherence and cumulative impact has not been lost.

Of the remaining chapters, seven report on: the impact of 'new management' practices within organizations responsible for the provision or procurement of local services, whilst five examine the way in which policy networks which have been established or have developed to report on particular governance challenges have operated (there is inevitably some overlap between these internal and external perspectives). Finally, there is a chapter by Jeffrey Stanyer which provides a historical perspective on the processes of fragmentation associated with the introduction of 'new management'.

In the first category there are contributions on the impact of 'new management ideas' in local government (Vivien Lowndes); 'opting out' in health education and housing services (Christopher Pollitt and colleagues); the impact of contracting out in local government on labour markets (Kevin Doogan); quasi-markets and Direct Service Organisations (DSOs) in local government (Maureen Mackintosh); the governance of education (Stewart Ranson and colleagues); user groups' citizenship co-production in community care (disabled groups and groups with mental health problems) (Marion Barnes and colleagues); and competition in local housing services (Barbara Reid). In the second category the operation of policy networks is explored in relation to: crime control (John Benyon and Adam Edwards), post-16 education and training (Kathryn Riley), local economic development (Kevin Morgan and colleagues),

Europe (John Benington and Jean Harvey), and the private financing of public infrastructure (David Heald and Neal Geaughan).

As one works through these chapters the disparities and missed opportunities begin to strike one more forcibly than their interconnections or cumulative impact. Vivien Lowndes helpfully employs a 'new institutionalism' framework to interpret the impact of new management ideas in local government. Maureen Mackintosh identifies two 'economic discourses' which have developed in relation to DSOs and quasi-markets, which reflect the concerns of new institutionalism, without explicitly making the connections Marian Barnes and colleagues (community care) and John Benyon and Adam Edwards adopt a similar interpretative perspective but implicitly rather than explicitly. Here is one missed opportunity for the drawing together of the different research elements.

Similarly, the networks perspective to which researchers were steered is embraced enthusiastically in some chapters (Kevin Morgan and colleagues, economic development), Kathryn Riley (post-16 education and training), in a more restricted way in others and hardly at all in the remainder. Even in those chapters which do address the networks literature, much of the subtleties of the distinctions in Marsh and Rhodes' framework are missed (or ignored) and the Bensonion characterization of network as involving competition for scarce resources rarely developed, even where clearly appropriate. A second opportunity – the development and refinement of the network paradigm – has been missed.

There are other inconsistencies too. Many of the papers helpfully use quotations from interviewees to illustrate key points in the argument (e.g. Lowndes, Barnes and colleagues, Benyon and Edwards). Others omit such exemplification and have more difficulty in engaging the reader (e.g. Doogan, Heald and Geaughan). The Benington and Harvey piece on European networks is written at a particularly abstract level, and would have benefited from a stronger empirical grounding and exemplification.

It is also striking how many of the contributions rely heavily in their analysis on what practitioners say about the impact of new management practices or network activities on outcomes. There is little attempt, apart from the piece by Marian Barnes and her colleagues on community care to assess the impact on service users. One of the key questions to ask about 'new management', one would have thought, is how has it affected outcomes? Christopher Pollitt and his colleagues in their excellent piece on opting-out in health education and housing at least recognize the importance of addressing this question, but acknowledge that their attempts to do so are inevitably speculative.

So in the final analysis what we are left with is a group of chapters of greater or lesser interest, a few common themes, and some sporadic attempts to relate findings to the programme's framework (or to other chapters). Whatever their intrinsic interest, it is the pieces by Doogan (CCT and Labour markets), Benington and Harvey (European networks), and Heald and Geaughan (the private finance of public infrastructure) which are least integrated within the book's overall themes and concerns. Jeffrey Stanyer's piece uses a different vocabulary to the others and also comes over as a one-off.

It would have been possible to produce a book which was more successful in overcoming the not-uncommon problems of such edited endeavours, but it would certainly have required a much bigger input of time and energy than the editor, given his range of other commitments, could perhaps reasonably have been expected to provide.

STEVE LEACH

De Montfort University

THE CONTRACTING ORGANIZATION. A STRATEGIC GUIDE TO OUTSOURCING

Simon Domberger

Oxford University Press, 1998. 229 pp. £35.00

Improving organizational performance is a core question in the research and development of administration. Domberger's book provides a structured, systematic approach to contracting decisions and outsourcing strategies. The purpose of the book is to develop a framework within which contracting decisions can be properly understood and soundly implemented. Thus, the book is not a manual despite the subtitle 'strategic guide'. The term contracting is used in a general way to describe both the process of outsourcing – the search for and an appointment of contractors for the provision of goods and services – and the execution of the contractual relations needed to support such activities.

The book consists of four logically proceeding parts. In part I the question of 'why make when you can buy' is discussed in the context of two strategic choices that all organizations – public and private – have to make. The choices concern the location of organizational boundaries and the structure of contractual relationships. Part II examines in detail the benefits and costs of contracting and part III analyses the strategic aspects of contracting, involving the implementation of actual policies. Part IV looks at structural change associated with contracting, at the level of both individual sectors and the whole economy.

Hypotheses from the disciplines of economics, management and public administration lay the ground for the book. Contracting out is analysed in both public and private organizations. The book contains a large number of case studies which are designed to illustrate actual practice and its consequences. The time perspective of the case studies ranges from the transportation of the convicts to the Antipodes by the British government in the eighteenth and nineteenth centuries to the global IT business at the end of 1990s. The case studies closely accompany the theoretical arguments in the book. The major elements of contracting out are summarized in tables where the strands of the argument are gathered to compact types and their characteristics. The tables include the benefits and costs of contracting, the advantages and disadvantages in contractor selection processes, the types and sources of risks in contracts, and the characteristics of classical and relational or partnering contracts. These summaries are useful tools for further analysis concerning both practical decision-making on contracting and a more theoretical approach of the concept of contracting. Undoubtedly, they also serve as fruitful hypotheses for further empirical studies. Additionally, an interesting list of questions concerning important elements of the contracting strategies is included. The questions increase the value of the book as course literature. Another valuable contribution in this sense is the thematic guides to further reading for students of organizational change and reform.

For a public administration and management student the discussion on organizational change brought about by contracting is perhaps one of the most interesting topics of the book. On this point there are several lessons to be learned. The impact of contracting differs according to whether existing services and goods are affected, and the sector to which the organization belongs. Domberger's conclusion is that contracting improves organizational performance by creating change on three principal fronts: reducing staff numbers; introducing new skills and working practices; and modifying individual incentives, terms of employment and attitudes to the workplace. But resistance to change is ubiquitous, and successful implementation of organizational change is costly in terms of management time and effort. It is difficult to estimate this cost in advance.

The structural changes that have resulted from the economy-wide application of contracting are particularly interesting from the point of view of the public sector. The public sector has been widely affected by contracting, and thus it is not surprising that the controversy concerning the appropriate scope of private and public production continues to smoulder in the public sector. Domberger interestingly considers the circumstances in which contracting for public

services is likely to be beneficial, and those in which it should be avoided. Core questions are: who is accountable when services are supplied under contract, what are the employment effects of contracting and how should competitive neutrality between private and public sector providers be safeguarded?

Potential benefits of public sector contracting can according to Domberger be gained through four main solutions which can all reduce costs and/or improve quality of publicly funded services. The four ways are: separation of purchaser from provider, drawing up comprehensive service specifications, the introduction of competition, and the provision of feedback on contractual performance. However, contracting of public services remains controversial owing to problems connected to competition when the supply side of the market is not well developed.

In some areas of the public sector there is more passionate debate about contracting than in others. Contracting of prisons, welfare and other human services raises much more resistance among public administrators than contracting of cleaning or refuse collection services. In the former cases there are extensive personal contacts between the client and provider, and the provider needs to exercise judgement, force, care and compassion as part of the service delivery. Domberger interprets that in such circumstances, people's intuition seems to suggest that some of the merits of contracting turn into definite drawbacks. He uses the concept of non-contractibility of quality. The basic values of public administration – those that still make public and private different – could here be seen as an even more important explanation. The value of democracy aligned with the principles of equality, justice and transparency call for traditional public administration where the legitimacy lies in legalistic and bureaucratic systems. Thus, Domberger's conclusion, on where the boundaries for contracting in the public sector are set, raises some objections. He assumes that with the exception of defence and police anything can be farmed out to private contractors. Experiences from Nordic welfare models show that this probably is not the case.

Domberger's systematic analysis of contracting is a very welcome contribution to students of public administration and management, as well as to policy makers and public sector managers straying into the jungle of New Public Management texts.

ANITA NIEMI-ILLAHTI

University of Vaasa

RATIONAL CHOICE THEORY AND ORGANIZATIONAL THEORY: A CRITIQUE

Mary Zey

Sage, 1998. 137pp. £11.99

In the preface, Mary Zey states that she began *Rational Choice Theory and Organization Theory: A Critique* in the early 1980s in order to advance the study of macro-organizational theory, which draws upon sociological and management traditions. The book claims to be a response to neo-classical economic rational choice theories and organizational economic theories, which have developed in the past decade. That may be true. But I am not convinced that these theories, as Zey puts it, 'have gained center stage in current organizational analysis' (p. x). The back cover makes me even more sceptical. I would never buy a book which claims to offer 'a new perspective on the strategy and actions of organizations. In merging economic, psychological, and sociological literature as they focus on organizations ...' (cover). It is unclear whether these broad terms are intended to compensate for the meagre content.

Zey begins with an explanation of rational choice theory and how this theory defines rational action, in particular drawing on James S. Coleman's 'methodological individualism' (p. 5). She

proceeds with a call for 'the convergence of rational choice theory and organizational theory' (p. 7) employing the population ecology perspective and transaction cost analysis. These are good examples. But the author's question: 'Given the well-established differences between rational choice and organizational theories, what are the limits of fruitful dialogue and collaboration between the two fields?' (p. 10) seems well warranted

Chapter two takes up the issue of 'individual rationality versus collective rationality' (p. 13). Just as in the first chapter, this discussion concludes with a strenuous critique of rational choice theory (RCT), with an emphasis on the well-known lack of empirical support. 'To this author and to organizational analysis, which is an applied science, this is a (the) critical limitation of RCT' (p. 31).

The two theoretical fields, rational choice theory and organizational theory, differ greatly. The third chapter explores these differences. A more in-depth analysis would have required a broader scope of discussion. The statement: 'theorists from both perspectives often look at the same aspects of society' (p. 53) feels like an exaggeration. Even this chapter ends with a return to the author's critique of rational choice theory. Thus far the reader might reasonably believe that this theme may be the true objective of the book. Yet how can one sincerely be interested in a dialogue between two theoretical fields if one is considered worthless?

Chapter Four also, unsurprisingly, offers a 'critique of rational choice theory's explanations of social relationships' (p. 55); it is well written but predictable. The following chapter treats 'rational systems of organization and rational choice economic theories of organizations' (p. 71). I appreciated the observation that 'false modesty has never been a limitation of economists' which fits so well the many I have met during many professional years at the Stockholm School of Economics. Unfortunately, however, little new analysis appears in this chapter, nor in the final seventh chapter entitled 'Criticism of Rational Choice Models' (p. 87) which incidentally builds on two earlier articles by the same author.

Rational Choice Theory and Organizational Theory: a Critique is well written and readable. It contains both author and subject index which work well. A reader familiar with the field will, however, find few surprises in the book. It contains little beyond a critique of rational choice theory. 'Because RCT is normative only, it is ineffective' (p. 111). Certainly, but is there anybody left who believes anything to the contrary?

The book perhaps could be used as an undergraduate text to present a criticism of rational choice theory. Unfortunately, the bibliography is out of date for a book published in 1998. Excluding the author's own works, fewer than 15 per cent of the sources are published after 1990. I am unsure whether this omission affects her discussion of rational choice theory, but regarding organizational theory it constitutes a significant weakness. A broader, more current bibliography would also have revealed the incorrectness of the statement that 'students of social organizations and complex organizations alike have begun to challenge the neoclassical models' (p. 89). This challenge has been in progress for quite some time and has developed to a considerable extent. Few researchers today outside the neo-classical community find the ritual of 'model gymnastics' meaningful.

For the student of public administration, *Rational Choice Theory and Organizational Theory: a Critique* is dispensable. To gain better familiarity with Mary Zey's work, I recommend instead *Banking on Fraud: Drexel, Junk Bonds, and Buyouts* published 1993 by Aldine de Gruyter (£37.65). By way of airing a personal bias, however, one could say that *Rational Choice Theory and Organizational Theory: a Critique* may be remarkably newsworthy for those who have strictly held themselves within the bounds of rational choice theory. In many regards this book seems to have been written for them.

BJÖRN ROMBACH
Göteborg University, Sweden

IMPLEMENTING HOLISTIC GOVERNMENT: JOINED-UP ACTION ON THE GROUND

David Wilkinson and Elaine Applebee

The Policy Press, 1999. 169pp. £14.99

Wilkinson and Applebee are concerned that holistic government, 'has become a soundbite and is in danger of being seen as a cliché with no substance'. That is primarily because it is seen as something for central government to implement, rather than being constructed painfully and slowly by local communities. David Wilkinson is a local government officer, while Elaine Applebee works in community development. This gives *Implementing Holistic Government* a practical perspective not always found in contemporary works on public administration.

Wilkinson and Applebee believe that a 'cultural revolution' is needed if 'the joined-up quality of problems' is to be reflected in joined-up policy and service delivery. The 'new public management', by contrast, tended 'to reinforce, even more strongly,' traditional functional principles, while in mimicking private sector market mechanisms, 'the focus tended to be on short-term efficiencies and outcomes'. The new public management was too orientated 'towards individual consumers and the easily measurable'. It therefore accentuated departmentalism and over-emphasized 'the relationship between the individual service provider and individual "consumers"'. In consequence, as Corrigan and Joyce argued in 1997, 'Public management currently lacks a public. Users have to be rebuilt into a public with a communal feeling and communal outlook' (*International Journal of Public Sector Management* 1997, p. 431).

Drawing on the work of Robert Putnam, Wilkinson and Applebee stress the need to rebuild social capital. This means a focus on outcomes, not outputs – in inner city schools, for example, goals should be defined not just in terms of test scores and attendance records, but in terms of the involvement of families in the educational process. The police should be judged not only by their success at law enforcement but on community safety, while the National Health Service should be evaluated by how successful it is in preventing illness as well as curing it.

Holistic government, Wilkinson and Applebee emphasize, means an end to defensive compartmentalization and turf wars between central and local government departments. There must be instead, 'a reinvention of the relationship between central and local agencies', and 'a new bond of trust between public agencies and the citizen'. That is an ambitious agenda.

Wilkinson and Applebee provide numerous examples of holistic approaches 'on the ground', but they do not analyse the constitutional and institutional changes needed if the relationship between central and local agencies is to be 'reinvented'. In particular, they do not consider what reforms in local government and local governance are required for holistic government to be effective. Wilkinson and Applebee rightly deprecate the excessive emphasis on structural change in local government reform since the 1960s; but, on their own showing, the current structure of local government and local governance is far from ideal for tackling 'joined-up' problems. Local government is, they emphasize, 'the only multi-service provider and it is the only one under local democratic control'. But many local services, and in particular, the National Health Service, remain outside local democratic control. Wilkinson and Applebee imply that local government should be genuine community government, but they do not analyse the structural changes required for this ideal to be realized.

The present government is more sympathetic to the Wilkinson/Applebee agenda than any previous administration has been. Nevertheless, there have been numerous attempts in the past to develop institutions capable of resolving 'joined-up' problems – and it has been an important if intermittent theme of thinking in public administration since the time of the Haldane report in 1918. It is not clear why current attempts to achieve holistic government should be any more successful than the failed attempts of the past. Wilkinson and Applebee refer to the Joint Approach to Social Policy – JASP – of the Callaghan government, but they do not analyse either why it failed, or the implications of its failure. If, as Wilkinson and Applebee

argue, the problem of holistic government is the problem of cultural change, how are the cultures and the reward and penalty structures of the system to be shifted from those of the market model?

Despite these criticisms, *Implementing Holistic Government*, is an important and stimulating book which deserves attention from public administration theorists and practitioners alike. It poses some deep and penetrating questions, even if it does not always succeed in providing answers to them.

VERNON BOGDANOR
Brasenose College, Oxford.

LINKS OF LINKS: Governments on the www, <http://www.gksoft.com/govt/en/>

**Richard Kimber's Political Science Resources, <http://www.psr.keele.ac.uk/>
Polis: <http://www.polis.net/>**

So, are the 'favourites' of your WWW-browser cluttered with links to addresses for which you only remotely remember the subject matter? Well, mine are. But rummaging through them helped me find the most central and therefore useful links of links – to governments, professional organizations, research centres, etc. – three of which I shall review below

Governments on the WWW, maintained by Gunnar Anzinger, has a straightforward entry page with its main categories. links to national and supranational governments takes you to groups by geography (Europe, Asia, etc.); links to institutions takes you to heads of state, parliaments, political parties, and a number of themes like auditing, broadcasting, statistics and tourism. Not included in this database are educational institutions, cultural institutions, medical institutions, business corporations, non-governmental research and individual politicians. This reviewer tested his favourite: Denmark. An impressive 263 links are there, including all the ministries and their immediate administrative agencies, the Royal court, and the Parliament. Many municipalities are there, most international representations, and some main interest organizations of local government. All political parties are there, even some regional branches and some I thought were long forgotten; in addition, are 16 links to other sources about Denmark, including *Encyclopaedia Britannica*, the CIA, election studies and flags. In short, this is a very useful source for any one wanting basic information about public administration agencies in Denmark, plus socio-economic and geographic information.

The same goes for other countries. You click on other countries in the world, and the information is right there, be it the European Union, Germany or Australia – and on a comparative basis, the same links are provided for all countries to the CIA, *Encyclopaedia Britannica*, etc. – extremely useful.

Richard Kimber has for some years maintained a broad-ranging site at the University of Keele, linking the user to themes like Area Studies, with separate country files that contain pointers to all the information that he has on each country, British politics, major official government sources, information about governments with data on office holders, government departments, etc. (including constitutions, treaties, and official declarations, elections and electoral systems, political parties, interest groups, and other political movements, manifestos, platforms, speeches, political theory encompassing a whole range of intellectual activities, local and regional government (mostly British), international relations including links to major international organizations, collections of social, economic and other, mainly political, data archives. Finally, other useful politics servers listing other websites that have useful lists of internet links, or offer other relevant resources, are provided).

This user found that in the Area Studies, he was better served by Anzinger's site. But in

fields like political philosophy, international relations, statistics and Other Websites (other departments and professional organizations), the site was very helpful. And if one is interested in political manifestos, this site is, I think, unique, as it has collections of constitutions world-wide.

Polis is a Belgian consultancy firm, specializing in European Union political affairs and the internet. It provides training and internet consultancy to European political professionals, organizations and lobbying groups, but it also maintains a website oriented towards European politics and administration. The home page greets the user with today's news in the EC, and links to what will happen during the week. For the academic user, there is more interest in the links provided in the lefthand column, connecting you to the EU, European governments, parliaments, political parties, international organizations, and NGOs. In addition, there are links to election data, information about specific countries, and 'general links' which hide several good WWW resources in economics, political science, social sciences and some East European material. Several of those resources are in themselves impressive (Anziger is there).

All in all, use Anziger, Kimber and Polis, and you have saved yourself from a bewildering number of links on your computer. Take a backup of your previous links to see if there is anything you have missed. If you have not used the backup after two weeks, press delete.

PETER BOGASON
Roskilde University

PRODUCTIVITY IN PUBLIC AND NONPROFIT ORGANIZATIONS. STRATEGIES AND TECHNIQUES

Evan M. Berman
Sage, 1998. 295 pp. £29

Productivity issues occupy an important place in discussions on public management and public sector governance. It is difficult to find a public manager, not to speak of people elected to a public office, who don't emphasize their awareness of the productivity problem and the obligation of public sector organizations to spend their resources efficiently. This emphasis is acknowledged out of respect for both the taxpayers providing the money, and the clients and users, having a legitimate expectation of an efficient provision of services. Finally, the quest for efficiency is also part of classical and modern conceptions of the public sector ethos. But while nobody challenges the importance of public sector productivity in all these respects, experience has taught us that in practice it is a difficult and controversial enterprise.

Berman's book addresses many of these problems in a systematic way. First, he gives a fine introduction to the concept of productivity and presents the case for productivity analysis in public sector management. Second, he discusses the problems, methodological and politico-managerial, that are related to any productivity analysis. Here he makes it completely clear that productivity analysis is highly contested within the public sector in general as well as within specific organizations, performing public sector tasks. It is also clear that Berman is well aware of the connection between methodological issues and managerial/political issues that is often made in operational discussions of the use and legitimacy of productivity studies for managerial purposes. The third part of the book focuses on the strategies for productivity improvement. It is a careful presentation of the problems confronting managers who want to or have to address a productivity problem within their organization. In the discussion explicit and implicit use is made of organization theory and business administration literature, while Berman to a much lesser extent draws upon political science and economic literature.

Berman's book has considerable qualities. It is systematic, well written, and thus very pedagogical. It is also in many ways well balanced in its simultaneous emphasis on the case for paying attention to productivity problems, while not underplaying the many difficulties involved. Therefore, the book deserves a place on undergraduate courses in policy analysis and public management. However, it is equally clear that it works best if it is combined with other texts. There should either be more technical books, presenting methods for intra-organizational economic analysis, or political science texts, presenting the many competing principles, values, and interests that are at play when it comes to the management of public sector organizations or public policy programmes.

JØRGEN GRØNEGAARD CHRISTENSEN
University of Aarhus

EUROPEAN INTEGRATION AND LOCAL GOVERNMENT

M.J.F. Goldsmith and K.K. Klausen (eds.)
Edward Elgar, 1997. 266pp. £55

To local governments, European integration is largely a bureaucratic affair. They behave – therefore? – within this process in a passive and, at best, reactive manner. They become activated once they feel forced to by legal obligations or induced by an opportunity of budget maximization in exploiting European grants programmes. They tend not to become ‘stars in the European galaxy’ until local or regional political leaders, largely for domestic political reasons of their own, see some prospect in European activism. But mostly local political leaders are precisely that, thus forming a major obstacle to a more international – European – orientation of the chief implementation units within the larger institutional framework of the European policy process.

This is the conclusion with which the reader is left after reading the book edited by Goldsmith and Klausen. The EU uses national administrative systems for the implementation of their policy, and in many of these national systems local and regional governments do play a varied, but vital role. The book's ambition is to discover the EU impact on the lowest political and administrative level within the EU policy-making and implementation structure. The book originates from an ECPR meeting in 1992 and developed in the period up until 1996. It therefore documents and reflects the state of the art on the subject matter in the first half of the 1990s. The book contains contributions on 12 countries (Denmark, Netherlands, Germany, Ireland, Great Britain, Belgium, France, Portugal, Italy, and a joint treatment of Finland, Norway and Sweden), one thematic subject (on Citynetworks, Euregions and European Offices) and an opening and a closing chapter by the two editors. The book is presented as explorative and eclectic in theoretical orientation.

For the specialist in local government and Europe, the book brings together information that is interesting to have in any national context. It has immediate practical value in that it once more shows that ‘the grass is not greener on the other side of the fence’. There are no clear ‘leaders or laggards’ to be detected. Even the Nordic (at the time) ‘not yet member states’ fit the overall pattern. On a member state level, countries will find little reason to be afraid of each other's local government performance. There is marked variation among local and regional governments, but this cannot to be explained by country-specific backgrounds. The attempt by the editors to explain variation in terms of the ‘North-South’ dimension, in the end actually breaks down into a much more differentiated account of factors that do play a role in various national and regional contexts.

The level of activity observed is often less than expected – several authors call this ‘paradoxical’. They put their findings in the light of ‘an increasing importance of EU regulation’

(Wollman/Lund), an (assumed) economic potential of self-initiated Euregional (cross-boarder) co-operation (Wolters), '... cases that affect them directly such as public procurement' (de Rynck) or even of '... potential consequences for local government of further integration within the EU (which) are potentially the most drastic/revolutionary in centuries ...' (Klausen). In any case: 'It certainly does not amount to a functional policy which could represent local economic and social interests in Brussels' (Balmes, LeGalès).

The most positive and empathic assessment is to be found in the evaluation of the British case. Is it once again 'Britain out of step in Europe', or are the observers (Goldsmith/Sperling) simply somewhat 'sadder and wiser' in terms of their implicit expectations of the performance of local governments than their continental colleagues are? I have my own answer to this question, but the point in asking is that the book itself is of little or no help in judging. Laying my cards on the table, I had hoped for evidence to prove the locals wrong in their behaviour. The book, however, does not offer a perspective on what precisely are the challenges, opportunities, risks or obligations that set the framework of expectations for a European local government. The book does not offer a framework, nor even the beginning of it, to assess in its own terms the demonstration of Euroscepticism by the average European local government not covered by the research. Why is their incremental 'wait and see' attitude wrong or insufficient? Where's the beef? A few examples of legal or other policy disasters happening to local governments while neglecting the European scene would have put some 'bite' into the claim that Europe is becoming more important for the locals.

I am familiar with the conclusions, and generally sympathize with the claim of the editors that the 'third order consequences', i.e. the overall changes in the situation of local government owing to internationalization and European integration, are potentially profound. The book is good reading for an audience adhering to the still rare mixture of the combined specialization in local government and European affairs. The topic deserves a broader audience. Researchers and certainly political scientists are nearly as parochial in their interest in Europe's administrative and local affairs as the politicians they study. The book represents the welcome exception to this rule, but it will take more than the unsubstantiated concluding claim that '... it may not be long before regional and local governments become the engine room of a more integrated Europe (p.253)' to convince the sceptics, practitioners and academics alike.

THEO A.J. TOONEN
Leiden University

PUBLIC POLICY IN THE NEW EUROPE. EUROGOVERNANCE IN THEORY AND PRACTICE

Fergus Carr and Andrew Massey (eds.)
Edward Elgar, 1999. 304 pp. £55.00

This edited volume is the result of the research carried out by the Centre for European Studies Research (University of Portsmouth), joined by scholars from the Universities of Exeter and Liverpool John Moores. The authors argue that the multi-level, variable, shifting and flexible character of European governance can only be understood from a multi-theoretical perspective. There is, in other words, no one correct way to study European politics: 'Analysts require access to a series of approaches which must be applied at macro, meso and micro levels'.

Two introductory chapters set the theoretical framework. The book starts with, yet another, overview of past and present theories, focusing on the authors, topics and criticisms of both 'great' theories (i.e. functionalism and federalism) and current theory-oriented authors (such as Moravcsik, Wessels, Schmitter and others). In this part Dimitris Chrysoschoou comes to the unsurprising conclusion that 'no present theoretical account represents the nucleus from

which a new Grand Theory of integration might emerge'. A conclusion which, of course, supports the main argument of the book. In the second chapter Andrew Massey draws the analytical context for the study of Eurogovernance. Building on the analysis of Chrysoschoou, he argues that fundamental changes in the role and the status of the nation-state forced scholars to turn to new means to study public policy processes. Changes such as globalization, marketization and technological innovation led to a situation in which policy making no longer takes place within the simple context of *government* but within the much broader context of *governance*. This notion of (Euro)governance is broader than the formal institutional structures of government; it emphasizes the interdependence between organizations, both public actors and non-state actors that operate between and across national boundaries, including European and non-European Union members. In this respect Andrew Massey argues for the understanding of the role of regimes – 'providing a tool to benchmark empirically observable case-studies in fields such as security, trade, environmental and energy policy' – and networks – 'taking into account the multiplicity of interests integral to almost any European policy'. At the same time the co-editor – somewhat normatively – warns about the dangers of opacity and informality, inherent in a situation of (Euro)governance and expresses the hope that the European administrators will be able to establish enough checks and balances to ensure the proper functioning of democratic government and accountable governance.

The rest of the volume consists of an overview of the practice of (Euro)governance in several policy sectors. Attention is paid to policy sectors such as economic management, structural funding, police, migration, health, enlargement, defence and security, and environment. Answering the challenge of conducting multi-theoretical and multi-level analysis, the authors focus on policy networks and governance layers. Examples of the former are Mike Mannin using policy networks to identify interest relationships with respect to structural funding and Paul Norman stressing the importance of expert groups in the field of international police co-operation. Examples of the latter include Janet Bryan, Theresa Callant and Fergus Carr who analyse the European security architecture focusing on the inter-institutional relationship of the EU, WEU, NATO and OSCE, and the chapter by Peter Starie on the regionalization and globalization of the economy. All contributions share the necessary and fruitful concern of looking behind formal public institutions and beyond the formal boundaries of the European Union.

In the end, however, it remains rather unclear what exactly is new in the theoretical concept of (Euro)governance and, consequently, what new insights the concept can deliver to the study of European policy-making. Indeed, the concept of governance has been used by a panoply of authors – many of whom are quoted in the volume – and who define the governance approach in a similar or even an identical way as a multi-theoretical and multi-level strategy. It must be clear that this observation does not question the use of the governance concept, it only puts the claimed originality into perspective. And yes, in their conclusion, even the editors seem to be conscious of their exaggerated claim, writing that 'there is nothing startlingly new in stating this'. The main value of the volume therefore lies rather in the presentation of a series of case-studies endorsing the use of the multifaceted concept of governance for studying European policy making. Having said this, it must be added that many scholars and students will undoubtedly benefit from reading the well-informed and elaborated analyses of the ways in which particular European policy sectors are governed. In the end one can only support the editors' last sentence that 'the work on specific policies needs to be taken further in terms of both the range of policies and the depth of research into each policy process'.

PETER BURSENS

University of Antwerp (UIA)

NOTES FOR CONTRIBUTORS

Public Administration is a major refereed journal, founded in 1922, which publishes articles on public administration, public policy and public management. Originally the journal of the British Royal Institute of Public Administration, it became an independent international journal in 1992. It has a global circulation. For 1999 the journal has been relaunched with significantly increased coverage of European public administration in a new 'European Forum'.

AIMS

The new journal aims to:

- stimulate scholarly and practitioner dialogue in public administration, public management and policy analysis
- encourage critical, comparative analysis, especially of European, Commonwealth and American public administration
- publish articles which are theoretically rigorous and of a broad current interest.

It has an eminent editorial board drawn from Austria, Belgium, the Netherlands, France, Germany, Norway, Spain, Sweden, Switzerland, the UK and the USA.

EDITORIAL STATEMENT

Editorial policy is flexible. Because *Public Administration* is multi-disciplinary, we aim to publish articles on all aspects of public administration, public management and public policy irrespective of academic discipline, country of origin or intellectual perspective. We will encourage submissions from law, economics and management as well as political science. Equally, we welcome manuscripts from all European countries, not just EU member states, and we will strive to avoid the common bias towards northern Europe. We are especially keen to publish papers from Mediterranean countries such as Spain, Greece, and Italy. We will referee manuscripts in French and German as well as English. Authors will translate their manuscripts only on acceptance. However, we will publish the journal in English because we believe this is the best way of drawing the work of European scholars to the attention of an international audience. And for this audience, it is essential all articles meet the criteria of theoretical rigour and broad current interest. We welcome contributions on developments such as hollowing-out, governance, post-modernism, new institutionalism and cultural theory. However, we also welcome submissions on the traditional topics of public administration such as constitutional and administrative law and administrative history. This approach to the subject is widespread in, for example, France, Germany and Italy and we believe these scholars can also meet our stated aims. Articles need not be comparative in the strict sense, but to speak to academics throughout Europe, as well as an international audience, all contributions must develop broad arguments and themes.

MANUSCRIPTS

The editors will welcome articles on any aspect of public administration which meets our stated aims. Articles for the 'Main Articles' section and 'European Forum' should be 6-8,000 words long. Articles for 'Public Management' and 'Review Articles' should be 4,000 words. 'Notes' should be no more than 2,000 words. Rejected manuscripts are not returned. Manuscripts will be sent to referees for comment. In all cases the editor's decision will be final.

Correspondence relating to previously published material is encouraged as long as its principal aim is to improve accuracy and refine or refute an argument.

Submission of an article means it has not been published elsewhere, nor is it under consideration for publication elsewhere. Authors of articles accepted for publication will be asked to assign their copyright, on certain conditions, to Blackwell Publishers, to help protect their material. Authors should, where necessary obtain permission to use copyright material in their articles.

Proofs may be read and printer's errors corrected by authors provided they give an address at which they may be reached without delay, and post corrected proofs, by first class mail or air mail, within five days of receiving them. With rare exceptions, printer's errors only will

be corrected. Extensive alterations to articles will not be accepted, and authors are asked to ensure that their manuscript is in final form before it goes to the printer.

First-named authors receive 25 free offprints and one complimentary copy of the issue. Additional offprints may be purchased (details are sent with proofs).

Style guidelines are available on request. All submissions must be double spaced on one side of paper. Bibliographic references should follow the Harvard system, and notes should not be used. Contributors must adopt the house style for their manuscripts. Many queries can be answered by consulting standard texts such as: *Hart's Rules for Compositors and Readers* and *The Oxford Dictionary for Writers and Editors* (both Oxford University Press).

DISKS

The final version of the manuscript should be submitted in paper and digital form. Use one of the most common software packages produced on either an IBM compatible or an Apple Macintosh computer operating system. Examples of acceptable software packages are Microsoft Word, WordPerfect or Scientific Word. Digital files should use Word (version 6 or higher) or WordPerfect (version 5.1 or higher) for text. If using Apple Macintosh, save as a PC format and use a high density disk. Please do not send Rich Text Format. Please provide a disk to accompany *only the final version* of your article after it has been accepted, not at any earlier stage.

When supplying a disk, make sure you label the disk with the word-processing package used and the version of the package. Please supply 2 hard copy print-outs with the disk. This should be identical to what appears on the disk. If there are last-minute changes marked only on the hard copy, please make it clear that these are not on the disk so that the typesetter knows to incorporate them.

Do not include any tables or figures in the main file. Either put these in a separate file after the main text file or provide them as hard camera-ready copy. Please also make sure your lay-out matches the journal style, as far as possible. Do not use automatic footnote programs for the biographical note at the foot of the title page of your article. It is the policy of this journal not to print footnotes or endnotes.

Manuscripts for '*European Forum*' should be sent to:
Professor Walter Kickert *

ALL other manuscripts (and UK books for review) should be sent to:
Professor R.A.W. Rhodes.*

Authors should send 3 (three) copies of their manuscripts, typed, double spaced (including all references and quotations) on A4 paper including a separate title page and a 150-word abstract. The journal uses author-date references and does not print notes. A style sheet is available from the Managing Editor. Contributions for the new '*European Forum*' are welcome now.

All books for review (from *outside* the UK) should be sent to:
Professor Peter Bogason.*

*For full addresses refer to the inside front cover





New book information

FROM WILEY

APPLYING PUBLIC ADMINISTRATION IN DEVELOPMENT

GUIDEPOSTS TO THE FUTURE

Edited by Dr Paul Collins, Editor, Public Administration and Development, London, UK and Visiting Professor, Institute of International Policy Analysis, University of Bath, UK

The turn of the century is an appropriate time to reflect on the impact of public administration on development and, in turn, the impact of the various facets of development on administration

This landmark publication addresses key governance issues in the management of development as we approach the millennium, drawing seminal papers from the 1999 Jubilee conference proceedings of the journal Public Administration and Development. It fills a major gap in the literature and provides a timely review of the state-of-the-art which is both historically-grounded and forward looking



The book is divided into three parts:

Part 1 poses three challenges spanning past, present and future: the transformation of state, markets and civil society, institutional performance, and humanising globalisation

Part 2 focuses on the great contemporary forces shaping public administration and development: state, market, and civil society. It uses case studies to draw conclusions and suggest areas for further research.

Part 3 addresses important themes for the future: states and economies in transition, conflict management and resolution, poverty and local development, governmental integrity and trust

- Presents an authoritative overview of the field which will be essential reading for students, researchers, consultants and practising civil servants alike
- Includes contributions from Sir Ketumile Masire, formerly President of Botswana, Dr P Sundaram, a long-serving Indian civil servant, and Prof P Streeter, a leading light in development studies
- Covers historic trends, contemporary forces and presents a view of governance and development in the twenty-first century

ISBN 0471 87736 0 402pp March 2000 Hardback £60.00

.....
If you would like to place an order or request a copy of our Environmental Science catalogue please contact:

James Martin, Marketing, John Wiley & Sons Ltd,
Baffins Lane, Chichester, PO19 1UD, UK

Fax: +44 (0) 1243 770460
email: envsci@wiley.co.uk

 **WILEY**

ARTICLES

CHANGING THE CULTURE OF A HOSPITAL: FROM HIERARCHY TO NETWORKED COMMUNITY

PAUL BATE

This article is a case study of a large-scale change programme within an NHS hospital. Drawing upon ethnographic data collected over a two-year period of intensive research involvement, it tells how the hospital struggled to transform itself from a rigid and divided 'hierarchy' into a more flexible and collaborative 'networked community.' The paper describes the model of change devised for this purpose, and seeks to capture the lessons learned on the rocky road to network organizing. It concludes that the full potential of networks will only be realized if there are correspondingly dramatic changes in culture, relationships and skills, all of which have to be addressed as part of an overall organization development effort. Networks are more than just a new organizational form; they are also a new paradigm for the professional organization, which is encapsulated in the notion of the 'network culture.'

INTRODUCTION

This paper describes a two-year project with an NHS hospital trust in the West of England, which combined ethnographic research into the hospital's culture with an organization development project that involved feeding back the findings and helping those involved work through an ambitious change agenda. The change centred on a plan to rebuild the hospital on a new greenfield site using private sector partnership capital raised under the Private Funding Initiative (PFI)¹, and on a phased programme to develop a 'new' prototype organization which would 'fit seamlessly inside' the new hospital once it was built. The project bore all the hallmarks of a classical

Paul Bate is Professor of Health Services Management Development at the Health Services Management Centre (HSMC), School of Public Policy, The University of Birmingham.

Public Administration Vol 78 No. 3, 2000 (485-512)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA

socio-technical systems approach, the central task being to engineer a requisite level of fit between the technical (buildings, technologies, business processes) and social (teams, structures, etc.) dimensions of the new organization.

Our role, as a research team from the nearby business school, was to help in the second of these dimensions, and in the design and implementation of the change process itself. The programme was envisaged as going beyond structures, systems and processes in order (to use their words) to 'create a new culture for the hospital.' Our brief was to carry out an in-depth investigation of the current organization, its culture(s), conflicts and contradictions, and input our findings into wider discussions relating to the change programme. Basically it was to be a professional helping role, drawing upon our previous experiences of working on cultural change issues with other public service organizations.

BACKGROUND TO STUDY AND RESEARCH METHOD

The project undertaken can best be described by the term 'action research' (Burnes 1992; French and Bell 1984; Shani and Pasmore 1985), taking as its guiding ethos Kurt Lewin's simple but powerful notion, 'No action without research, and no research without action' (Lewin quoted by Burke 1994, p. 55). Research of this kind is certainly no stranger to healthcare organizations, and in many respects ours was no different from the many other examples found in the organization development literature (Boss 1989; Golembiewski 1987; Margulies and Adams 1982; Margulies and Dundon 1987). What they all share is the view that action research is not so much a method as a model for the change process, one which oscillates between research and action and seeks to generate real change on a grid of flexible learning and experimentation.

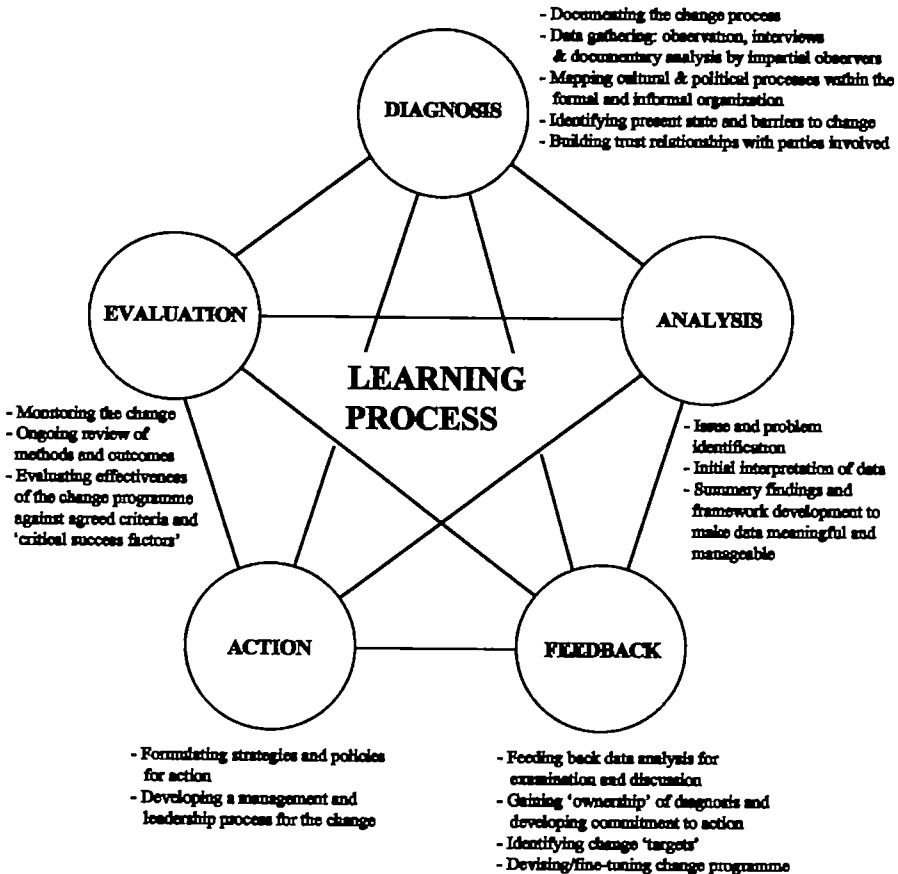
The particular model used for the study, itself an original formulation and reproduced here in the form in which it was used, is illustrated in figure 1. One of the important characteristics of the model is that it does not allow complacency or apathy because the wheel is constantly turning as the change process (research – informed/intelligent action – further research – further action) continues to unfold.

Designed to show the links between action research and organizational learning, the diagram was intended to give all participants an insight into the logic and rationale behind the study. This was important: action research is a form of participative or cooperative inquiry (Reason 1994) in which, to use a familiar cliché, research is done *with* people rather than *to* them. Clearly this is only possible if the working framework is visible and well understood by those involved, and the language of the expert de-mythified so that participants can take ownership over the project.

The aim of the schematic was to suggest how the project might move from data-gathering and analysis to feedback and discussion, to framework building, action and evaluation, and on to further research – though not

FIGURE 1 *Implementing change: the 'action research' approach*

Creating a learning community that is sufficiently well informed to make sound judgements and take effective action within the change arena



necessarily in any strict order (see multiple lines of connection between the different parts), given the opportunistic, exploratory and emergent nature of most action research. It drew attention to the limits of planning and prediction and, in accord with the ethos of action research, emphasized that change was not imposed, or even knowable, but was discovered as it happened as part of an ongoing learning process (Goldstein 1992, p. 1).

Although, in content, our research reflected the traditional concerns of the action researcher – to investigate and develop new forms of organizational cognition, behaviour and practice – our role was generally more anthropological than is usual in OD work of this kind. Not that there was anything

unique in itself about our doing anthropology in this setting: anthropologists and qualitative researchers have always been attracted to the sounds and smells of the hospital, and in the UK in particular there is a strong tradition of ethnography research within the NHS (cf. Davidson's excellent *Bloodlines* (1998) in which he 'shadowed' St Thomas's Hospital in London during a merger; and in similar qualitative, 'process-dynamics' vein, Bennett and Ferlie 1994; Flynn and Williams 1997; Flynn *et al.* 1996; Harrison and Pollitt 1994; Harrison *et al.* 1992; Pettigrew *et al.* 1992; Strong and Robinson 1991).

Unusual in our case, however, was the combination of organization development and anthropology, a sort of 'action ethnography' in which anthropological perspectives on the hospital and its processes were developed and then fed back and used in the change process itself: applied anthropology. This method involved 'listening deeply' (Stein 1994) to what people had to say about the hospital, representing the issues 'from the native's point of view,' intensively mapping the cultural and political processes, including the mundane everyday issues and cultural practices, and generally seeking to give voice to the plurality of subcultures competing within this complex, polyphonic organization (Bate 1997). Special attention was given to the 'emotion schemas' within people's narratives and stories – the desires and frustrations, fears and hopes, sorrows and joys that occupied the interior of their personal and collective construct systems.

Neutrality and even-handedness were central to this process. We were positioned in the space between management and workforce, strenuously avoiding being seen as either management-centric (the traditional bias of organization development) or worker-centric, acting as knowledge workers in the delivery of a range of intellectual services (Baba 1997; Hamada and Sibley 1994), and mediating between the different interests and perspectives to facilitate the development and implementation of collaborative strategies for change. One medical consultant in the hospital aptly described our role as that of 'enzymes' to the change process, free agents in the change reaction:

I never had a similar conversation with anybody. A review like this is very helpful to us. You as an external agent, a third party, have the strength that you have no axes to grind, you're not seen as a tool of this or that. If you are going to act as an enzyme in this reaction, I think you have to very clearly distance yourself from all interests.

The data for the study were gathered over the full two years of our involvement with the trust, representing more than 150 visits and 500 man-days in the field, and spanning the full range of ethnographic and qualitative techniques: loosely structured personal interviews with a thin slice of approximately 100 people across the organization (based upon a constantly updated schedule or 'check-list' of major and emerging themes – change, PFI, 'patient focused care,' structure, culture, top team, board, etc. – with

specific questions relating to each), and fifty or more focus group interviews (with consultants, managers, nursing and ancillary staff); participant observation of key meetings and 'interactive contexts,' using both informants and respondents; and feedback, planning and organization development sessions. An on-site library of secondary data and documents relating to the hospital redevelopment programme was also thoroughly investigated. The findings are reported extensively and analysed in a later section, where they constitute the major part of this paper. Unfortunately, they can of course only be a small proportion of the huge amount of data gathered. Note that verbatim data is indented and is from interviews rather than naturalistic observation unless otherwise stated; interviews took place on an ongoing basis throughout the two-year fieldwork period.

EARLY IMPRESSIONS

As a result of previous research in the public sector, the 'multi-voiced,' pluralistic world of the professional organization was already familiar to the author. Friction, conflict and disharmony between managers and professionals in terms of orientations, values and interests appear to be endemic to this kind of configuration, and there was no reason to suppose that clinician-management relationships in a hospital – itself a classic professional organization – would be any different. They were not. It was still something of a shock, however, to discover a relationship so embittered and hostile that the hospital had virtually ceased to operate as an organization.

What was strikingly evident from the outset was the extremely low level of morale among staff and extremely poor relations between groups, especially clinical groups and managers:

Morale is at rock bottom, the lack of communication is mind-blowing by its presence, and managers seem to want to live an entirely separate life (consultant).

Morale here is 100 per cent worse than it used to be. The staff are a lot unhappier. The turnover rate is higher, the sickness rate is higher. I feel that something is going to happen. It's a disaster ready to happen. I can see this trust falling apart. I can see it go bust, I really can (senior nurse).

The situation was generally felt to have reached crisis point. People were working in dilapidated buildings (recently a window had fallen in on patients), and the hospital was struggling to deal with ever-lengthening waiting lists and depleted resources. The picture was of an organization in serious decline: 'I have watched the hospital spiral into a shadow of its former self' (nurse). As a staff representative at the trust put it: 'We have lost our sense of purpose for being here. This is a sick organization.' The irony of a sick organization treating sick patients had not escaped the attention of those involved.

No wonder stress and burnout were at an all-time high. A 'cultural transformation' was needed to restore the psychological and emotional contract

between the staff and their organization, and to change the way they thought and felt about their jobs, their relationships, and themselves. 'There's a dozen different topics on the agenda, but there's really only one. It's actually the culture of the hospital and why it is so hard for people to work together. It's that which needs to change to bring the joy back into work' (trust board member). The prospect of a new hospital facility had thus come to represent more than just a new building: it was a new beginning, a symbol of cultural revival. The challenge was to avoid the dangers of putting old wine in new bottles, or as one respondent aptly described it 'transplanting old organs into the new body.' Hence the programme was not just about buildings, systems and processes but changing 'mindsets' and the 'bad habits of thinking' (Bate 1990) which had been building up in a declining hospital over the years. Optimistically, it was hoped that the winds of cultural change would blow away the current malaise and revive the ailing organization.

THE ORGANIZATION DIAGNOSIS: CEASING TO CARE

While the problems we found in the hospital trust have been encountered before in professional organizations (cf. the pioneering work of Henry Mintzberg in the 1970s), what is being offered here is a new analysis, and thus ultimately some new and different remedies. In contrast to Mintzberg's (1979) structural or 'design school' approach, the issues and problems here are looked at from the cultural perspective offered by anthropology, and as such have been divided into three groups.

Problems of co-ordination: the culture of tribalism

This is a situation in which different professional factions adopt a tribal outlook, and dedicate themselves to winning gains for their 'patch' regardless of the harm this inflicts on other parts of the organization. The long-term result is that the left hand no longer knows what the right hand is doing, or worse in the case of our hospital, 'the left hand doesn't know what the left hand is doing either' (manager).

We are a tribal organization. We think of ourselves as antagonists and rivals. Tribal relations are there, they're real, they're insidious. I don't know how we are ever going to find a consensus on the best way to move forward. It's all about factions, it's all about turf battles and the politics around people's patch or their territory. And it's never about moving forward as a corporate body for the benefit of *all* the staff and *all* the patients (business manager).

The result of go-it-alone strategies of this kind is that someone's gain inevitably means someone else's loss:

I am surrounded by colleagues who are functioning very much in the advocacy role. They are developing *their* services, they are developing

new methods of treatment for *their* areas, and they are applying them when they feel it is in *their* client's best interest, regardless of whether the resource is present. It may be OK for them, but often there's nothing left for anyone else (consultant).

In this situation, group ends up resisting group causing a 'gridlocked' organization, where issues get log-jammed and endlessly delayed by resistance politics. It also creates a separatist organization, where subcultures live out their lives in glorious isolation one from the other, with no-go areas reinforcing the separation between them: 'You put barbed wire around your department, you don't let anyone in because you're competing for resources. Trying to introduce anything that involves more than one department is like banging your head against a brick wall' (senior nurse during a training session). In this regard the management had done what every other group had done, which was to retire to the relative safety of their exclusive 'pink carpet' area – but then claim to practise an 'open door' policy! 'A lovely nurse who is lost to this organization now once said, "When I first came to this organization, I was told that The Pink Carpet had an open door policy. What a bloody shame they never came out of it"' (HR staff member). In reality, the policy was irrelevant: no one else actually went near the door, open or closed.

This particular cultural mentality or schema is by no means unique to hospitals: it has been found in the parochial 'island-thinking' of railway employees (Bate 1990, 1994) and civil servants (Brooks and Bate 1994), the 'segmentalist cultures' of a range of low innovation/low excellence organizations in the United States, (Kanter 1983, 1990), and the inward-looking 'discipline-based cocoons' of professional organizations in law and education, including medicine itself (Quinn *et al.* 1996, p. 11):

The problem is one of managing élites. Each profession tends to regard itself as an élite. Members look to their profession and to their peers to determine codes of behaviour and acceptable performance standards. They often disdain the values and evaluations of those outside their discipline . . . Most professionals are reluctant to subordinate themselves to others, or to support organizational goals not completely congruent with their special viewpoint.

Brooks (1997) found a similar outlook in another NHS hospital, as did James (1994).

Tribalism should not be regarded as a failing or dysfunction of an organization like a hospital: it is innate within it, an intrinsic and inseparable part of the professional process itself. As American health researcher Irwin Press (1997) observes, it is part of the pluralistic nature of health care and a manifestation of the paradigmatic differences between professional groups. 'Failure' – or what distinguishes the effective professional organization from the ineffective one – is the result of such tribalism being allowed to get out of control and drift into anarchy or anomie (Bate 1994). This leads to an

erosion of the whole social contract, and to alienation, atomization and the loss of community.

Mintzberg singled out health care organizations as particularly prone to tribalism and turf problems, and findings from other research suggest this may be true of health care organizations worldwide. Indeed, even before Mintzberg, Taylor (1970) described the harmful effects of 'turf' battles upon the care strategies of US hospitals. The situation does not seem to have changed greatly since then. Berwick (1994) has recently drawn attention to the uphill battle in many US hospitals 'against the fragmenting force of local "languages" ("nursing diagnoses" are different from "physician diagnoses"), gender ... local pride ... and tribalism,' and even more. recently Press has described problems inside a US East Coast hospital that are so similar to ours that he might well have been working in the same hospital:

Here, turf issues rule and impede processes that cross-cut at least five different staff entities. There is a general failure to recognize the integrated nature of medical management processes ... Rigid hierarchies and turf lines ensure there is little interdepartmental communication and no appreciation for the job limitations or pressures faced by others (1997, p. 5).

So, our situation was by no means exceptional. Knowing this did not, however, make it any easier for the people working in the hospital:

So you've got this incredible situation where the doctors won't cooperate because they're terrified of losing power; you've got managers who can't make a decision because they're afraid if they do, there will be a vote of no confidence and they lose their job. And you've got the nurses who are, as usual, trying to keep the thing going (senior nurse).

Clinical and non-clinical sides had become locked into an escalating conflict, a cultural vicious circle (Bate 1984; Masuch 1985) or 'game without end' (Watzlawick *et al.* 1974): 'The managers put a gun to your head. I can't think of a better way to wind people up. The consultants' view of the management is reinforced yet again, and the consultants behave as negatively as the management would have predicted! It's all so Pavlovian' (general surgeon). By way of retaliation, 'management-baiting' had become a popular sport among the consultants:

Now, there are some surgeons, I am sure they would admit it, and some physicians as well, who have reached that stage in their career where they are so good at their job, if you like, that it is no longer an academic or mental exercise. Opportunities to game play in the system are sport. It's like doing *The Times* crossword, if you like. If you give them the opportunity to tweak the management system a bit, they will. They will ring managers up and howl at them, or bang off letters they know are

destined for the shredding machine. It's a game and both sides play it. But the issues are serious and I feel frustrated (consultant).

The effects on the general climate were obvious to everyone who worked in the hospital: 'Here is a clear example of two tribes who don't hold each other in high esteem, and who through their troubled relations have set the whole tone for the hospital' (trust board member). In addition to the usual battles between managers and professionals, there was also considerable internecine strife between the professionals themselves, each fighting for a 'piece' of the patient and a slice of the total resource. Competition between specialties had reached destructive levels around budgets, staffing levels and resources:

At a basic level, a ward running out of pumps because they're suddenly under a lot of pressure finds it is unable to borrow equipment from another directorate, or there is a lack of willingness to loan equipment to one another or even share disposables and so on for the overall benefit of the trust. We've lost our corporate identity (business manager).

To their credit, clinicians were the first to admit to their tribal instincts: 'They are nice guys, and I've been with them a long time, but they are very tribal – "this is our patch, this is our bit, get off. You are trying to do us in and no way are we going to tolerate this." And they'll probably end up getting their own way, they usually do' (clinical director). Very often they would excuse such behaviour on the grounds that they were doing it as much for their patients as for themselves: 'It's perfectly natural: on the assumption that I think I can do some good, then I think that I as a doctor should be out there getting everything I can and go hang everybody else' (consultant). Meetings were places where clinicians would fight unashamedly for their patch, and were particularly ill-tempered affairs: 'Put them in a room together and they will bite one another's bottoms' (consultant). Our research also showed that, in this divided world, boundary workers like medical directors, business managers and clinical directors had a particularly difficult time of it.

Boundary work between teams and professions is extremely stressed, and there is a continual burnout of people on the interface. People who move into boundary positions get shot (business manager).

Well, it's a great role for a masochist because you're not loved by anybody. You are no longer loved by your clinical colleagues because you have gone to the managers, and you are not really trusted by the managers because you keep running off and seeing patients instead of coming to their important meetings. So it's a no-win situation (clinical director).

The culture of tribes also bred a 'culture of blame' and a 'culture of secrets.' Doors were closed as one went past them, and certain no-go areas like

management corridors and consultants' dining rooms were established to keep others at bay. 'Wherever you look you see these little cabals. Take the consultants' dining room. This is a place that only consultants are allowed to go in, where they have management-bashing sessions; they share gossip and resolve some of the difficulties, and it is all very cunning and clever' (manager). A middle manager recounted how on one occasion, risking life and limb, he entered the consultants' dining room to take lunch. He was greeted by stony silence. Then, 'What do you want? Has somebody died or something?' – an emergency clearly being the only possible reason or justification for his presence.

Problems of accountability: the culture of individualism

As tribalism was played out in the hospital, people got left to their own devices and were rarely called to account for their actions. Medical consultants told us they could not remember when they last had an appraisal, or heard of their colleagues being disciplined. Not that they were complaining. Such a system of review was in their opinion not only unnecessary, it was also demeaning having one's professional conduct judged by non-medical people, whose own professional conduct left much to be desired.

Consultants were well aware of the problems their own maverick behaviour was causing. One of them talked about his group as the 'clouds' that floated around the organization, detached and accountable to no one, yet still the ones who decided whether it rained or shone for the lesser mortals below:

I went on this management course and the tutor put up this diagram, which had all the nicely structured management systems for nurses, porters and technicians. And in the middle was this cloud which were the consultants, and he said, 'This first lot correspond to the normal structure of management, and you can change it or modify it according to what's going on in the environment. But this bunch, the consultants, float about and when something impinges on their area they just fire off letters or fax the chairman. And there's no way of controlling what they are up to' (consultant).

Another observed 'the basic instinct of a doctor is anarchistic.' The lack of consultant accountability had become almost legendary: 'They are not regulated. They go over budget; they ignore directives they don't like. They fight amongst each other, but if they feel threatened they band together as a powerful force. How do you manage in that situation?' (operations manager). Consultants regarded themselves as above the law, and in many cases behaved as though there was no law. They did not see why they should have to follow the rules: 'She [consultant] wants to do things almost as a free agent, and just tell the managers, "now we are doing this, now we are doing that, now we are doing the other," and almost finds it an irritant to have to go through all these hoops and processes' (business

manager). They simply did their 'own thing,' whether this was deciding when to take their annual holiday or cancelling operating sessions:

I had a situation here with the Obstetricians, who are usually a pretty decent bunch. I had a whole week where of the six of them only one was not on annual leave during August. And I went berserk. I mean, how can you hope to keep open the delivery suite when five of the six of them go off on holiday at the same time? (senior nurse).

Or choosing which meetings to miss:

We have got one consultant here who doesn't come to any meeting, he belts through his surgical work at a phenomenal bloody rate to get off; he is indifferent to the management process, not interested in budgets; he is pulling every stunt in the book about getting new pieces of equipment; does his own thing; and you know that's acceptable, that's tolerated by the culture (business manager).

Consultants had devised clever ways of slipping off to do their private work: 'Well, the surgeons use anything called "administration" to clear off down to the Golden Nugget [nickname for the local private hospital] and make a few quid for themselves. I think generally they are doing their bit, but they could do more' (senior nurse). As Mintzberg (1979) noted, all professional organizations find it difficult to deal with issues of incompetence, substandard performance, or just plain unconscientious behaviour. People refuse to have their outputs measured ('unreliable'/'unmeasurable'), or rubbish the methods used ('meaningless statistics') or the assessor ('we don't tell managers how to manage'). This is all perfectly understandable: professional groups take their 'directions for performance' (Bate 1994) primarily from their profession rather than their organization, so that accountability is indirect and external, always to some extent bypassing the organization and its formal management structure. Moreover, one's very professional specialism tends to make wider corporate accountability problematic:

My training is actually to look after patients. I am accountable to them, which means I cannot always be accountable to my budget. I accept that if I waste money, some other doctor has less money to spend on his patients. However, what you have got to realize is that most doctors are trained to treat the patient in front of them and be blowed to the rest (consultant).

The upshot is that professionals cannot be managed in the normal hierarchical way because they simply refuse to accept the controlling legitimacy of the management position. And they usually get away with it: 'We can't be managed directly down. We simply choose not to listen' (surgeon). From the viewpoint of management control, and the whole raft of NHS reforms following the Griffiths (1983) recommendations for more directive general

management, the above comment is both telling and significant. By disavowing the legitimacy of the management role, consultants were effectively disabling it. It seemed that a culture of control could only ever be, at best, a culture of containment. What we found was therefore very much in line with Pettigrew *et al.*'s (1992, p. 151) broader assertion that successive reorganizations of the NHS had failed to shift the balance of power away from doctors.

There are many reasons why this 'culture of individualism' exists in professional organizations. Clearly it was linked in this particular case to the protectionist practices surrounding consultants' private, non-NHS work, and the innate power of the expert (power resides in dependency; hospitals need clinicians). Yet the issues were as much personal and professional as they were financial, many of them revolving around age-old issues of class and status:

'Management' doesn't work because you have got seventy operatives [consultants] all of whom are better educated, longer trained and higher paid than the rest of the organization, and who are trained to be free thinkers and independent in their thought. And you are asking them to be managed as a whole by a group of people who don't understand the way they talk because they have their own language, have no way into that power structure, and are in awe of the power that group wields in terms of: if we don't like it we'll shout and kick and scream and walk away, and then see how you get on. It's a rotten way to try and run an organization like this on a traditional management structure, line management responsibility basis (clinical director).

Though much has changed in the UK in recent years the culture remains essentially paternalistic and authoritarian: 'a culture of not mixing with people who you do not think are at your level socially or intellectually' (Davidson 1998, p. 53).

Political and historical factors also played their part: management was perceived by many as an illegitimate force of occupation which could therefore be legitimately resisted: by rudeness, non-cooperation, dumb insolence or outright sabotage. Clinicians had such 'resistance' off to a fine art: when managers tried to take control and be decisive they were criticized for not consulting, and when they consulted they were accused of not being decisive enough. Sometimes clinicians would resort to bullying tactics, throwing their superior status and qualifications around, or using old boys' networks to maintain the *status quo*. One of the consultants in our study successfully 'spiked' a change initiative by leaking an internal management document to the local Member of Parliament. The MP, an old university chum, was invited to publicly lambast the management for wasting taxpayers' money and neglecting patients – which he did with great relish, even to the point of correcting the managers' bad English and underlining the 'meaningless jargon,' teacher's style, before returning the document to the hospital, copy

to the Health Minister himself. No wonder managers found it safer to keep away from senior medical staff.

However, it would be easy to gain a misleading impression of powerful groups and individuals acting as resistance fighters and saboteurs in the hospital when their behaviour was probably just as much the result of a world-weary group simply having had enough and 'walking away.' Disaffection was a powerful emotional schema. Many had effectively given up on their organization, abandoning any hope of a shared future. What we had found was professional alienation:

Come to think of it, I have never worked in a hospital with a shared vision. In the NHS I think the idea that we can all sing to the same tune is a joke, frankly (surgeon).

The problem with the NHS right now is there's no discipline because there's no base-line consensus. Everyone has a different view on 'working together for patients' (anaesthetist).

Organizational cynicism, a hitherto neglected subject in the literature but finally getting the attention it deserves (Dean *et al.* 1998), was widespread and its effect on the culture and climate of the hospital was almost palpable.

Not only had the social and work contract in the hospital broken down – and with it any serious notion of responsibility and accountability – the moral contract had broken down as well: 'People have ceased to take moral stock of what they're doing and the hospital as a whole' (nurse). In short, the clinical staff had ceased to care. They had also lost their self-respect, or as they saw it, had had it taken away from them. Now they were little better than burger bar workers:

Where in the pyramid do you place your consultants now? At the bottom, because in many ways we are at the bottom. So if you take a burger bar, I equate myself with the little girl serving, or the cook behind the bar, because the item we are selling to the public is a tonsillectomy or a new hip. I am actually the end producer, and there is actually no difference between a tonsillectomy and a chicken nugget (consultant).

Hence the petulant logic: if I am no longer treated like a professional, how on earth can I possibly be held professionally accountable?

As if all this were not problem enough, the accountability of management, or rather the lack of it, was also an issue in the hospital. This explained some of the more unfortunate nicknames given to certain managers: 'Mr. Teflon' ('nothing sticks on him') and 'Old Slopey Shoulders' ('everything just slides off him down to our level'): 'It's incredible, our managers can lie down in a load of muck and still come up squeaky-clean. I can't pretend to understand how they get away with it, but it's something to do with "abdicate rather than adjudicate." They just won't accept responsibility' (senior nurse). People joked that the senior management

team had found a novel way of avoiding accountability for their decisions; they had stopped making decisions!

They're frightened they'll hang on the noose of any decision (nurse).

There's covered trails, blaming, watching your back. Responsibility is culpability for them. That's why they won't take it (consultant).

There is complete exasperation – will somebody please make a decision and let us get on and do something? Even if we have to change because we made the wrong decision, at least let's make a decision. But they don't seem to (senior nurse).

The literature agrees that one of the central challenges for any hospital is how to make clinical autonomy responsible autonomy (Dent 1993; Friedman 1977; Harrison, 1999). But how does one ensure that the freedoms that go with any profession, be it medicine, accountancy, education, or even management, are properly regulated and accountable freedoms especially when concepts of regulation and freedom are themselves apparently contradictory? The transformation challenge, writers agree, is to find ways of changing a narrow *defensive* strategy, designed for the very purpose of protecting you from being incorporated into the corporate apparatus (clinical autonomy), into a *progressive* strategy through which the wider goals of the hospital are taken into account, at the same time as protecting your freedoms to continue to practise your profession (responsible autonomy). Clearly the particular hospital in this study had signally failed in this regard.

Problems of innovation and change: the culture of conservatism

Moving to the third problem area highlighted by our study, we found a hospital whose readiness to embrace innovation and change of any kind was extremely low.

We don't have change here. We're a completely floating nebulous wobble of an organization (manager).

Changing the culture? Here? It's like trying to kill a dinosaur. You know, you can shoot it in its tiny brain, but the legs keep thrashing for a very long time afterwards (trust board member).

Mintzberg (1979) pointed out that the professional organization, like any bureaucracy, is good for the purposes for which it was created, namely persistence and order. Not change. Efficiency is its forte, not innovation. It was never designed for change, therefore we should not be surprised to find that it is not particularly good at change.

We see the problem as a broadly cultural one. The culture of a professional bureaucracy – its prevailing mindset and directional orientation – is stability-oriented rather than change-oriented, which explains why UK

hospitals have experienced such discomfort when faced with the growing pressures to move from 'maintenance management' to the 'management of change' (Ferlie *et al.* 1996, p. 6). As James (1994) stated, there is a basic incompatibility between the traditional stability oriented culture of the professional bureaucracy, which calls for planning models and a way of operating that cuts out any extraneous noise from the environment, and the newer market-based change-oriented healthcare organization which calls for entrepreneurialism, constant change, flexibility and acute environmental sensitivity.

What is it about the professional culture that finds change and innovation so difficult? First, there is the usual protectionism associated with any 'trade union': 'I expect many people look on us as a 1970s trade union, exercising our block vote. There are the same demarcation and jurisdictional issues as trade unions. We also jealously guard our jobs and areas; good old-fashioned protectionism' (anaesthetist). As we have seen, professional cultures are defensive cultures whose *raison d'être* is to protect the interests of their members, even when at times this means relegating the wider organization and its customers to second place. It is precisely because clinicians had largely succeeded in defending their position that they had acquired an ambivalence towards change: 'The doctors have a lot more conservative view of leadership and management than they think they do ... they're ambivalent about losing the bureaucratic ways because in a funny way, I think they like them, and they have learnt how to deal with them' (consultant). Although, like everyone else, they really did want an end to the current problems and a better deal for their patients, they were mindful of the dangers of exchanging an imperfect but known present for an unknown and potentially more imperfect future.

Ambivalence towards change was not the only issue. There was also a widespread sense of futility which further contributed to the inertia:

Nothing changes. There is nothing you can do. So why bother? (nurse).

[Crying] I don't think I'm up to the job. I don't know who is really. I find myself responsible for a system that isn't working and not knowing what to do with it. I'm meant to be bright and know how to deal with these things. And I'm supposed to be a leader, but I feel like such a small prawn in a large sea (trust board member).

They perceived they had lost control of events. Clearly autonomy was a long way from control. The first they had, the second they did not. They no longer 'did' change, they implied, because they were the recipients, i.e. victims of change, not the strategists or implementors (Kanter, Stein and Jick 1992), passive rather than active. The problem was compounded by pessimism and regressive expectations born of previous aborted change attempts:

We planned it all down to the size of the waste paper baskets, and whether we would have lever arm taps, and where the switches would go. And then the Treasury looked at the size of things and took another look at the whole direction of health care delivery and decided that hospitals were too big and downsizing and care in the community was the future, and therefore we didn't need this development at all. Wouldn't we like to go back and re-do our sums? So here we are eleven years on and still no change. No wonder there's so much cynicism and disillusion. People are saying, 'If I stand still, they will run round in circles and they'll be back shortly' (senior clinician).

There had been too many false dawns. Staff were no longer prepared to commit to change for fear of further disappointments: 'There must be some demonstration of progress. We need tangibles because the standard reaction of people is, "Been there, seen it, got two T shirts already. Why is this any different? I'll hold my breath but not for long"' (clinical director). Then there was the issue of resources. Change is said to require 'slack' in the system with regard to time and resources (Brill and Worth 1997; Conner 1998; Kotter 1996). The hospital had neither of these. People were at full stretch and resources were at a premium:

In Pathology we have a plan for new work practices, new equipment, and a new work environment – a completely reconfigured lab. I'm hopeful we will get it going and that's why I've cut it dead at this point, because there are no resources . . . I'm just hoping that when the Trust and X [the private partner] shows the colour of its money, there's something on the table, then the dream will begin to happen (pathologist).

Another key factor blamed for the lack of innovation in working practices was the 'people-processing' mentality of market-driven health care. Surgeons claimed that the routinization and de-skilling of work had killed the will to innovate:

They [management] will say, 'we'd like you to do routine tonsils.' At the end of the day they'll end up with no good-willed surgeons, because if you squash innovation, you lose it – it goes. Because you can't just switch it back on three years later. Good people have gone off and found a job elsewhere (surgeon).

Different aspects of the hospital's culture all contribute to this third problem area: change, particularly 'big' change, is said to be a collective effort involving multiple actors (Bower 1997), yet the culture of this hospital was uncompromisingly individualistic. The question is how can these 'guiding coalitions' (Kotter 1996) and 'driving alliances' (Georgiades and Macdonell 1998) for change be created when the collectivist will is just not there, and when the loyalty and trust contract between people (Pasmore 1994) has broken down? Kanter (1983) found tribalistic cultures to be anti-innovative

cultures, concerned with compartmentalizing problems and actions, and keeping each piece isolated from the other, in contrast to the innovative culture that has no respect for organization walls, and allows people to walk sideways, up, down and diagonally without fear or favour. The picture of the innovative organization is one where people are cutting their own swathes through the organizational grass to get to each other in order to mix and mingle, whereas ours was one of people swimming in lanes, heads down, goggles on.

THE NETWORK SOLUTION BEGINS TO APPEAR

Just as the research findings described above repeatedly reinforced our view that the problems of the hospital trust were essentially cultural problems, requiring cultural solutions, so too did the hospital staff, as the project evolved, gradually become convinced that 'structure' (and therefore reorganization) was not the issue – certainly not structure brought about as a result of the kind of sustained pressure for change we have seen in the UK public services, nor selected simply on the grounds that it was fashionable. This was a cultural issue, and the first task was to consider what kind of culture they wanted for the hospital. Only then could they seek a structure that might help deliver it (see Bate, Khan and Pye 1998 for a fuller discussion of the structure-culture relationship, and the notion of cultural/developmental concerns preceding structural/design ones). As one of the clinical directors put it during a meeting of the full management board:

I now see that a new structure will not, by itself, improve our ways of working. We will have to change the way we think of and treat each other if we really want to change the culture of this organization. This must come in tandem with or even before any new structure.

His comment did not fall on deaf ears: clinicians and managers began to take a similar view, counselling against 'premature restructuring' and at the same time distancing themselves from the proposal of the CEO who had for some time been pressing hard for a radical new structure for the hospital. Structural change would not achieve the necessary rapprochement between the different groups, they told him. Only after a good deal more soul-searching and discussion would anything be ready to be 'set in stone.'

What it's all about now is taking time out, making the space to think about what the issues are, to take on board people's views and bother to ask them, and following up on all that and building ownership. From all this, we should end up with people saying, 'OK. I can actually see the future now; I stand to gain rather than lose' (manager).

They did just this: took time out. After six months of long and detailed discussion across the whole organization they eventually, and collectively, arrived at a 'cultural vision' for the trust. This is shown in figure 2. The

FIGURE 2 *The cultural vision for the trust*

'FROM -'	'TO -'
FRAGMENTATION	DIFFERENTIATION
TRIBES	NETWORKS AND COALITIONS
INTERNAL ORIENTATION	EXTERNAL ORIENTATION
<i>Politics of...</i>	
Factionalism/tribalism	Federation/responsible autonomy
Control	Collaboration
Domination	Accommodation
Imposition	Negotiation
Optimization	Concessions
Exclusion	Inclusion
Resentment	Tolerance
Fragmentation	Connection
High power distance	Low power distance
<i>Attitude and outlook...</i>	
'I'	'We'
Them and us	Us and us
Valuing self, disparaging others	Valuing others as much as self
Distant/hands off	Close/hands on
Lid on	Lid off
Conflict avoidance	Assertive/negotiative
Inward-looking	Outward-looking
Rigidity	Flexibility
Culture of secrets	Culture of sharing
Active	Reflective
Pessimism	Optimism
Chauvinism and intolerance	Tolerance
Parochialism/insularity	Cosmopolitanism
Blame	Responsibility

chart itself might at first glance seem rather clichéd and flimsy (there were more detailed versions). However, it was clearly a case of words being the 'messengers of meaning,' capturing an emerging consensus around what the staff felt was a desirable route for the development of the trust. For example, it was soon realized that 'integration' of the kind aspired to by 'strong culture' organizations like McDonald's or IBM, and written about endlessly by the business gurus, was not what people wanted, nor what they believed was realistic in the hyper-pluralistic setting of a trust like theirs.

I see it like this. Management sit inside their 'triangle' and we inside our 'circle' – our various guilds and closed shops. A circle won't fit inside the triangle and a triangle won't fit inside a circle, so why waste time

trying? What is required is an umbilical that keeps the same shapes but links and loops them together, providing the essential lifeblood for the hospital (business manager).

Allegiances to one's profession were far too strong ever to conceive of a single dominant hospital culture; it was not therefore a question of doing away with the different tribes but of finding sensible and realistic ways of linking them together and improving communication and knowledge exchange. What they were groping towards was a concept of regulated pluralism, the regulation provided not so much by shared rules as by shared meanings and values. As one manager put it:

It is not appropriate to try and lose people's allegiances to these communities, but to ask what binds us together as a hospital. I believe the only way out of this is to find the purpose that binds us together and to have a vision of what it would be like if we were fulfilling our purpose together.

In many ways the simple 'from/to' diagram did just that: it expressed, for the first time in a long time, a shared vision of the kind of trust in which people felt they could comfortably live and work, a symbol or ethos for the kind of community they wanted.

I've got that 'from/to' pinned up on my desk and it makes me think about what I'm doing and say 'Hold on, is this what we want from the new culture?' And it seems to touch on my staff and other departments I come into contact with as well. I mean no-one can deny it's the change we need. It manages to put into words what we are all feeling (paedaetrician).

The vision summarized in figure 2, and detailed in extensive research data not included here, is of a multicultural, pluralistic society of interlocking sub-communities, each fairly autonomous (the intellectual knowledge 'capitals' of the hospital) but bound together by a sense of common purpose and shared responsibility. In the jargon, these are simultaneous loose-tight configurations, offering a good deal of freedom for people to do their own thing (including practise their profession) but always within a framework of mutually agreed values and standards. It is these shared meanings and values that make up 'culture,' that turn a mere 'aggregation' into a society or 'community.'

What had emerged from all the talking was an essentially home grown concept of the future that happened to bear close resemblance to the idea of network organizing currently attracting so much attention in the literature (especially Kickert *et al.* 1997, but also Charan 1996; Hakansson and Snehota 1995; Nohria and Eccles 1992; Rhodes 1997; Snow *et al.* 1993). And yet no one in the trust, including us, had consciously set out to design this configuration; it just evolved out of continuous discussion, the obvious and logical solution to the problems.

When the term 'network' finally got mentioned, it was not as an abstract or theoretical concept but as a practical means of delivering cultural change:

The intention is to create a new culture, a culture very different from the present one, involving major changes in the way people work and relate to each other. The culture will have to be developed collaboratively with as many people involved as possible. This will require the creation of a number of *implementation* networks. Different staff groups will participate in a coordinated change process, actively negotiating their relationships, and agreeing the rules and values through which they will deliver the cultural change (Internal Change Management Group document).

Whereas the term 'network organization' usually refers to a new organizational form or structure, in our case, as the above quotations shows, the network had come to mean much more than this: it was not so much a structural issue as one of culture and process. It was defined according to the nature and quality of the relationships and interactions within the organization, and the existence of binding meanings and values. One was not therefore talking so much about a new organization *form* as an organization *community*, in this case a 'network community' – for which the German liberal journalist Günter Gaus has coined the word *Nischengesellschaft*: a 'society of little niches.'

A detailed discussion of the concept of network management is beyond the scope of this paper. However, one of its key features is a fundamental change from organizational government to 'governance'. The essence of governance is a much 'flatter' organization with the minimum of hierarchy and central control, and a new-style, hands-off, self-help form of organizing based on the concept of cross-latticing policy networks and polycentric decision-making processes. A successful network organization requires considerable co-operation and negotiation between parties who in exchange become semi-autonomous partners.

To the delight of the hospital trust staff, the idea of a networked community seemed to offer a way of reconciling apparently irreconcilable opposites. For example, it offered the prospect of more responsibility *and* more freedom, more diversity *and* convergence, individuality *and* collectivity. What made this possible was the conceptual unification of network and community, since network without community was too shapeless and heterogeneous, and community without network too rigid and homogeneous. The 'network community' on the other hand (they reasoned) seemed to combine the best, whilst eliminating the worst, of both. In the words of the cognitive scientists it had pulled off the trick of creating 'unified diversity' by embracing diverse 'pictures' within a unifying frame (Fiol 1996, p. 179). As one clinician put it,

The organization will become infinitely variable to meet the needs of the infinitely variable person that works here. A complex body made up of

many different functional parts. But hopefully from now on we will all be looking at the world through the same pair of eyes.

And another:

As Canon David Wilson once said, 'The only place you get unity is a graveyard.' So unity on its own is not what we want. We also have to provide the diversity that will keep us keen and alive (anaesthetist).

If we now look back to the three problem areas identified in the previous section we can see why the network concept was so attractive to our organization, and why it ended up as the logical, some might say inevitable, choice – as indeed it might equally do for others in a similar situation.

Firstly *tribalism*: as suggested earlier, tribalism is an innate and possibly indelible feature of the professional organization. It does not disappear when a network organization is created: indeed, a network is intrinsically a collection of 'tribes'. The focus is on the co-operative nature of the interaction between them, which is in sharp contrast to the control-oriented mentalities of the traditional bureaucratic hierarchy. In short, the network form is not so much a 'solution' to turf problems as a process for dealing with them.

Instead of perpetuating the myth of 'oneness' (the harmonious world depicted in Coke adverts and the strong cultures literature), it therefore opts for a much looser concept of pluralistic integration and federal community (Bate and Mangham 1981; Drucker 1989). In essence this means 'cross-turf problem-solving with interdepartmental teams' (Press 1997, p. 2). The process itself is driven by self-interest and self-regulation. Different groups with differing agendas learn to engage and collaborate with each other in more *transdisciplinary* forms of working.

We will work more closely together as partners in the trust. This will enable us to have a more co-ordinated response to common issues and to share difficulties. We are all in this together. Just because we don't always see eye to eye doesn't mean we can't help each other much more (senior manager).

There is no altruism here. Involvement is calculative and instrumental: people engage because the cost of not engaging is perceived to be greater. This pragmatic co-operation has always been the basis of a robust civic culture. The shift from bureaucracy to network is a movement from detached hierarchies to multiple partnerships. Partnerships do not therefore mean an end to the conflict, but do imply a different ethos for handling it: an ethos of engagement and collaboration rather than belligerence and competition.

Secondly *individualism*: as the culture of individualism took hold of the hospital, all notions of responsibility and accountability evaporated. With a network, accountability is not something imposed but something you vol-

untarily take on as part of your contract-making with others – the first stop in accountability is yourself. Being self-imposed it is predominantly self-managed and self-policed, and hence arguably more effective than anything that might be imposed or managed externally.

On the issue of *conservatism* there is considerable consensus in the literature that networks are generally much more flexible, innovative and change-friendly organizations (Nohria and Eccles 1992) than the 'seriously maladaptive' bureaucracies described by Mintzberg and others. According to Cummings and Worley (1993, p. 288) 'the network structure is highly flexible. Its components can be assembled and reassembled to meet changing conditions.' In similar vein, Ciborra (1996, p. 104) describes the network as a chameleonic organization, able to take up the 'colour' of its environment and respond continuously and contingently to it. Kanter (1990) uses the metaphor of the corporate olympics to contrast the nimble-footed network with the lumbering giant of bureaucracy. The contrast is striking for, as Ciborra (1996, p. 115) notes, the network 'is programmed for transformation.'

IMPLEMENTING THE NETWORK CULTURE: SOME OF THE DIFFICULTIES

An early discovery in the next stage of the project was that moving towards a network form of this kind required a politically sensitive and inclusive model of change. The challenge was to find a way of accommodating (mollifying, if not fully satisfying) the various stakeholder interests. The skill lay in encouraging expression and avoiding suppression of different viewpoints, and not alienating or disenfranchising any of the groups.

Predictably, this was a difficult task. Senior managers in particular felt they were being asked to give up power, status and authority for nothing in return. But lengthy discussions with many groups confirmed that nothing would improve until the existing organizational hierarchy, with management at the top, disappeared. The pyramid structure Δ had to go. No one was attracted by the popular notion of 'inverting the pyramid' ∇ to create a situation where managers were controlled or answerable to the professionals. Instead they said yes to a partnership of hierarchies $\triangleleft \triangleright$ with each leaning against and supporting the other in the pursuit of their different functions. According to this scenario, management would lose their ascendance and dominance in certain areas, as indeed the clinicians would in others, and the culture would move from one of antagonistic dependence to collaborative interdependence; from hierarchy to partnership. The reality of course was more complicated, especially on the clinical side where there were different specialisms, each with its own internal hierarchy, which also had to work out the terms of their interdependence.

One thing was certain, however: in many ways the managers' lives would become more tolerable as a result of the changes. To quote from one of our later reports to the trust's Change Management Group (itself a self-

organizing network consisting of managers and clinical staff): 'Network management is about sharing and creating power, not undermining people'. This argument ended up being reinforced from a surprising quarter: the medical consultants themselves. At an off-site 'showdown' where they had originally planned to call for a vote of no confidence in the whole of the senior management team, they ended up with a suggestion of compromise (and I quote from the tape recording): 'We have decided to stop talking about getting rid of you, and find a way of working with you. As a result of our discussions today, we have come to the conclusion that *we* don't actually want to "manage," we want you to do that and free us up so that we can treat patients . . . We want the partnership to be such that the "chief executive" becomes "chief facilitator" . . . We want a much greater say in setting the priorities and operating the trust . . . We will do the leading and you will do the managing . . . We don't want control of the organization. We all have to learn how to provide different resources and support for each other. That is, we acknowledge that the management have an important role in that. It's not a question of them working for us, we are all working for each other.'

Why the change of heart? Clearly, the distinction between 'managing' and 'leading' held great appeal. Not only did it put the medics back in the structure and give them a clear role, it also hinted at a superior status!

As a result of going right down to the wire, the parties had found their own way to the network solution, which involved redefining but not eliminating management, so that it no longer directed or controlled but supported and facilitated the front-line deliverers of the service – a concept of managing which unbeknownst to them, is deeply enshrined in the networks literature (Kickert *et al.* 1997).

CONCLUDING REMARKS

The story goes on, and the change process continues to move steadily forward. But what has been learned from this experience so far? The study has clearly served to highlight and conceptualize the problems of vertical and lateral co-ordination, integration, accountability, and innovation and change to which professional organizations, including hospitals, appear to be prone. With regard to underlying causation, the research suggests that they may have cultural roots in 'mindsets' like tribalism, individualism, and conservatism, themselves a subset of the competing cultures of 'managerialism' and 'professionalism' found within healthcare organizations (Flynn 1999). If this is the case, the implication is that theorists and practitioners need to find better ways to 'think culturally' about healthcare issues and processes, and to take seriously the whole notion of developing models for 'managing culture,' for it is these which will make all the difference between whether the problems become manifest and destructive or get properly addressed and managed. 'Changing culture' may be a cliché but that is what is implied by this research – nothing less will do.

So much for the diagnosis, but what about the choice of remedy in this particular study – the networked community? While the literature in general offers the ‘network form’ as a ‘new’ class of versatile remedies, capable of dealing with some of the age-old problems facing professional organizations, at the same time there is, I believe, a need for caution. Networks are very faddish at the moment, but they are clearly not a universal panacea. Despite managers’ constant search for the quick-fix, this one being the latest, there are still no significant studies, including this one, showing that networks outperform well-run hierarchies (Overholt 1997).

Therefore even though the network does appear to offer a logical and theoretically appealing solution to the problems faced by professional organizations, the move to networks still involves a major leap of faith for all those involved. Certainly this study may be taken as a warning that it is a much more difficult process than we have been led to believe. So many things can, and in this case did, go wrong. For example, we saw how some managers were unwilling to give up their traditional role, even to the point of finding it almost impossible to conceive of any other. ‘Turf’ interests proved stronger than we anticipated, and ‘learning to co-operate’ was a long and difficult process, especially with so many of the basic skills being lacking. We also saw some network processes turn into ‘games without ends,’ talking shops rather than action networks. At times it was difficult to distinguish ‘network-think’ from plain old-fashioned ‘groupthink.’

And yet there is widespread acceptance in the hospital that things have improved. Clearly we cannot pretend that it has actually become a ‘networked community’ yet, but it is certainly moving in this direction, and people are saying that it has made significant inroads into many of the trust’s problems.

Our participant observational research would bear this out: during the past eighteen months we have seen management taking a far more facilitative role in their dealings with others, getting off their ‘pink carpet’ and interacting with a denser and wider network of people, including groups outside in the wider community. Furthermore, the old management board, the scene of many bloody battles, has been scrapped and replaced by a clinical advisory forum, much more mixed and multidisciplinary than before. For the first time, representatives of different medical specialisms sit in the same room together. This group is rapidly moving to becoming a clinical *executive* forum, and is soon to replace the present management executive as *primus inter pares* – an important step towards the goal of having clinicians lead and managers manage. In the meantime, that management group has been widened to include clinicians, as well as one of the most disenfranchised of all groups: nurses. Generally speaking there is more mingling and mixing than ever before.

For some, including the CEO and certain members of the senior management group, the pressure for change was too great and they have resigned to make way for others. Another casualty has been the clinical directorate

system, together with the role of the clinical director: seen as a failed experiment in clinical management, directorates were abolished by unanimous decision, although a suitable replacement has yet to be found. People are now much more prepared to live with temporary or transitional structures and then to abandon them when they have served their purpose.

There is no doubt in most people's minds that the broad solution chosen in this particular case was the right one, and there is already sufficient evidence from other studies to suggest that it may have wider relevance, indeed may even be able to provide the basis of a new generation of professional organizations, more flexible, adaptive, and integrated than their predecessors. Certainly, our study confirms that network organizations are much more change-friendly: no one would deny that major change has occurred in the trust, and not just in culture, but in processes, structures, systems and behaviour.

Yet what I believe is the most interesting aspect of the study is not the diagnosis or the solution, but the choice of *process*. This is where this paper possibly makes its biggest contribution. Change theory counsels against imposing change top down (whenever time and conditions permit) – no one person or group can make change happen alone (Dunphy and Stace 1988, Pasmore 1994). It also warns against 'doing change' by imitating current practices from elsewhere, even when they appear to work – copycat mentalities play into the hands of the quick fix and are by definition ungrounded, and solution-centred rather than issue- or problem-centred (Kanter *et al.* 1992).

What is significant about the process described in this case is that it was 'home-grown,' jointly designed and inclusive, collaborative rather than coercive, and without preconception about specific final outcomes.

Perhaps there are indeed more appropriate solutions for other hospitals and organizations than the network, perhaps even a different range of problems not encountered in this case, but the approach to change outlined in this paper, a combination of collaborative action research and anthropology in a single process model (figure 1) does seem to adequately address the neglected issue of *implementation* in networks research and new public management research generally. Wilkins hits the nail firmly on the head: 'You cannot buy a distinctive organizational culture and you cannot copy it from someone else. You must grow it' (Wilkins 1989, p. 16). It should be stressed that the approach outlined in figure 1 was only a map of a process, not of the final destination. In all the many changes brought about in our hospital there was no grand plan and no single person in charge. This would seem appropriate. On the whole networks have been willfully spontaneous, self-selecting, self-organizing and self-managing (though never short of people trying to select, organize and manage them!), the result being a messy and often time-wasting, but much richer and more diverse learning process.

If networking is about 'pluralizing' the organization – pluralizing the discourse, processes, cultures, skills and institutions – then the hospital

trust is clearly moving in this direction. I believe culture is the main issue. The overwhelming conclusion of this paper is that the network requires a culture that supports it, an ethos that promotes partnership, justice, equality, and responsibility. Cultures are created interactively and therefore can only be changed interactively. This requires a change model that specifically addresses the issue of cultural change and the creation of a genuine *cultural network* (Vogt 1993), one that exists in thought as well as deed.

ACKNOWLEDGEMENT

The author wishes to thank the anonymous reviewers for their helpful and constructive comments.

NOTE

1. Introduced in 1992, the PFI was designed to increase the involvement of the private sector and private sector capital in the provision of public services. Under the scheme, hospital trusts seeking to redevelop their facilities enter into a single contract with a private sector partner, usually a consortium of companies. The private partner makes an initial capital investment and assumes the 'financial risk' of future maintenance and property management, while the hospital retains the 'care risk' of providing treatment. The consortium may also take on the contract for support services and facilities management – portering, cleaning, catering, etc. The trust then leases back the building, usually over a 60 year term, and pays for additional non-core support services on a contract basis. For further details of the scheme see Dix (1997), HM Treasury Private Finance Panel (1995), Ham (1995), and Pollock *et al.* (1998).

REFERENCES

- Baba, M.L. 1997 'The anthropology of work in the Fortune 1000. a critical retrospective', paper presented to Annual Meeting of the American Anthropological Association, Washington DC, Nov.
- Bate, S.P. 1984 'The Impact of organizational culture on approaches to organizational problem-solving', *Organization Studies* 5, 1, 43–66.
- 1990. 'Using the culture concept in an organization development setting', *The Journal of Applied Behavioral Science* 26, 1, 83–106.
- 1994. *Strategies for cultural change*. Oxford: Butterworth-Heinemann
- 1997 'Whatever happened to organizational anthropology? A review of the field of organizational ethnography and anthropological studies', *Human Relations* 50, 9, 1147–75.
- Bate, S.P. and I.L. Mangham 1981. *Exploring participation*. Chichester: Wiley
- Bate, S.P., R. Khan and A.J. Pye. 1998. 'Towards a culturally sensitive approach to organization structuring where organization design meets organization development', paper presented to Annual Meeting of the American Academy of Management Meeting, San Diego, CA (forthcoming *Organization Science*)
- Bennett, C. and E. Ferlie 1994 *Managing crisis and change the organizational response to HIV/AIDS*. Buckingham: Open University Press
- Berwick, D.M. 1994. 'Managing quality the next five years', *Quality Letter for Health Care Leaders* 6, 6, 1–7
- Boss, R.W. 1989 *Organization development in health care*. Reading, MA: Addison-Wesley.
- Bower, M. 1997. *The will to lead: running a business with a network of leaders*. Boston: Harvard Business School Press.
- Brill, P.L. and R. Worth 1997 *The four levers of corporate change*. New York: AMACOM.
- Brooks, I. 1997. 'Call my bluff: multiple interpretations of an organizational process', *British Journal of Management* 8, 269–82.
- Brooks, I. and P. Bate. 1994. 'The problems of effecting change within the British civil service: a cultural perspective', *British Journal of Management* 5, 177–90.

- Burke, W.W. 1994. *Organization development: A process of learning and changing*, 2nd edn. Reading, MA: Addison-Wesley.
- Burnes, B. 1992. *Managing change*. London: Pitman.
- Champy, J. and N. Nohria. 1996. 'Into the storm: the cycle of change quickens', pp. xii-xxx, in J. Champy and N. Nohria (eds.), *Fast forward. The best ideas on managing business change*. Boston, MA: Harvard Business Review Book.
- Charan, R. 1996. 'How networks reshape organizations - for results', pp. 15-37 in J. Champy and N. Nohria (eds.), *Fast forward. The best ideas on managing business change*. Boston, MA: Harvard Business Review Book.
- Ciborra, C.U. 1996. 'The platform organization: recombining strategies, structures, and surprises', *Organization Science* 7, 2, 103-18.
- Conner, D.R. 1998. *Managing at the speed of change*. Chichester: Wiley.
- Cummings, T.G. and C.G. Worley. 1993. *Organization development and change*. St Paul, MN: West Publishing.
- Davidson, A. 1998. *Bloodlines. Real lives in a Great British hospital*. London: Little, Brown and Company.
- Dean, J.W., P. Brandes and R. Dharwadkar. 1998. 'Note. Organizational cynicism', *Academy of Management Review* 23, 2, 341-52.
- Dent, M. 1993. 'Professionalism, educated labour and the state: hospital medicine and the new managerialism', *The Sociological Review* 41, 2, 244-73.
- Dix, A. 1997. 'Private finance: The PFI jungle', *The Health Service Journal* 107 (5542): supplement 1, 3 (Special Report on PFI), 1-16.
- Drucker, P.F. 1989. *The new realities*. Oxford: Heinemann.
- Dunphy, D.C. and D.A. Stace. 1988. 'Transformational and coercive strategies for planned organizational change. Beyond the OD model', *Organization Studies* 9, 3, 317-34.
- Ferlie, E., A. Pettigrew, L. Ashburner and L. Fitzgerald. 1996. *The new public management in action*. Oxford: Oxford University Press.
- Fiol, C.M. 1996. 'Consensus, diversity, and learning in organizations', pp. 173-206, in J.R. Meindl, C. Stubbart and J. Porac (eds.), *Cognition within and between organizations*. London: Sage.
- Flynn, R. 1999. 'Managerialism, professionalism and quasi-markets', pp. 18-36, in M. Exworthy and S. Halford (eds.), *Professionals and the new managerialism in the public sector*. Buckingham: Open University Press.
- Flynn, R. and G. Williams (eds.) 1997. *Contracting for health: quasi-markets and the national health service*. Oxford: Oxford University Press.
- Flynn, R., G. Williams and S. Pickard. 1996. *Markets and networks: contracting in community health services*. Buckingham: Open University Press.
- French, W.L. and C.H. Bell, Jr. 1984. *Organization development*. Englewood Cliffs, NJ: Prentice-Hall.
- Friedman, A.L. 1977. 'Responsible autonomy versus direct control over the labour process', *Capital and Class* No. 1.
- Georgiades, N. and R. Macdonell. 1998. *Leadership for competitive advantage*. Chichester: Wiley.
- Goldstein, J. 1992. 'Beyond planning and prediction: bringing back action research to OD', *Organization Development Journal* 10, 2, 1-7.
- Golembiewski, R.T. 1987. 'Diagnosis for health care providers and their systems: an entry design and its supporting theory', *Consultation: An International Journal* 6, 4, 265-80.
- Griffiths Report. 1983. *NHS management enquiry*. London: HMSO.
- Hakansson, H. and J. Johanson. 1992. 'A model of industrial networks', in B. Axelsson and G. Easton (eds.), *Industrial networks - a new view of reality*. London: Routledge.
- Hakansson, H. and I. Snehota. 1995. *Developing relationships in business networks*. London: Routledge.
- Ham, C. 1995. 'Private finance, public risk: Can public sector values survive Britain's Private Finance Initiative?' *British Medical Journal* 311, 1450.
- Hamada, T. and W. Sibley. 1994. *Anthropological perspectives on organizational culture*. Lanham, MD: University Press of America.
- Harrison, S. 1999. 'Clinical autonomy and health policy: past and futures', pp. 50-64, in M. Exworthy and S. Halford (eds.), *Professionals and the new managerialism in the public sector*. Buckingham: Open University Press.
- Harrison, S. and C. Pollitt. 1994. *Controlling health professionals. the future of work and organization in the National Health Service*. Buckingham: Open University Press.

- Harrison, S., D.J. Hunter and C. Pollitt 1992. *The dynamics of British health policy* London: Routledge.
- HM Treasury Private Finance Panel 1995 *Private opportunity, public benefit. Progressing the Private Finance Initiative*. London HMSO
- James, A. 1994 *Managing to care*. London: Longman.
- Kanter, R.M. 1983 *The change masters corporate entrepreneurs at work*. London: Unwin
- . 1990. *When giants learn to dance. Mastering the challenges of strategy, management and careers in the 1990s*. Sydney: Unwin Hyman.
- Kanter, R.M., B. Stein and T. Jick 1992. *The challenge of organizational change*. New York: Free Press
- Kickert, W.J.M., E.-H. Klijn and J.F.M. Koppenjan (eds) 1997 *Managing complex networks Strategies for the public sector*. London: Sage.
- Kotter, J.P. 1996. *Leading change* Boston: Harvard Business School Press
- Margulies, N. and J.D. Adams 1982 *Organization development in health care organizations*. Reading, MA: Addison-Wesley.
- Margulies, N. and M.W. Dundon 1987 'Organization development and health organizations', *Consultation. An International Journal* 6, 3, 221–35
- Masuch, M. 1985 'Vicious circles in organizations', *Administrative Science Quarterly* 30, 14–33
- Mintzberg, H. 1979 *The structuring of organizations A synthesis of the research* Englewood Cliffs, NJ: Prentice-Hall.
- Nohria, N. and R.G. Eccles (eds) 1992 *Networks and organizations. Structure, form and action* Boston: Harvard Business School Press.
- Overholt, M.H. 1997 'Flexible organizations using design as a competitive advantage', *Human Resource Planning* 20, 1, 22–32
- Pasmore, W.A. 1994 *Creating strategic change Designing the flexible, high-performing organization*. New York: Wiley.
- Pettigrew, A.M., E. Ferlie and L. McKee 1992 *Shaping strategic change – making change in large organizations the case of the NHS* London: Sage.
- Pollock, A.M., D. Gaffney and M. Dunnigan 1998. 'Public health and the private finance initiative. editorial', *Journal of Public Health Medicine* 20, 1, 1–2
- Press, I. 1997 'The quality movement in US health care: implications for anthropology', *Human Organization* 56, 1, 1–8
- Quinn, J.B., P. Anderson and S. Finkelstein. 1996. 'Leveraging intellect', *Academy of Management Executive* 10, 3, 7–27
- Reason, P. 1994 'Three approaches to participative inquiry', pp. 324–39 in N.K. Denzin and Y.S. Lincoln (eds.), *Handbook of qualitative research* Thousand Oaks, CA: Sage
- Rhodes, R.A.W. 1997. 'Foreword', pp. xi–xv, in W.J.M. Kickert, E.-H. Klijn and J.F.M. Koppenjan (eds), *Managing complex networks. Strategies for the public sector*. London: Sage
- Shani, A.B. and W.A. Pasmore 1985 'Organizational inquiry: towards a new model of the action research process', pp. 438–48, in D.D. Warrick (ed.), *Contemporary organization development current thinking and applications* Glenview, IL: Scott, Foreman
- Snow, C.C., R.E. Miles and H.J. Coleman 1993. 'Managing 21st century organizations', pp. 20–34, in C. Mabey and B. Mayon-White (eds.), *Managing change* London: Paul Chapman.
- Stein, H. 1994 *Listening deeply: an approach to understanding and consulting in organizational culture* Boulder: Westview Press
- Strong, P. and J. Robinson 1991 *The NHS under new management* Buckingham: Open University Press
- Taylor, C. 1970. *In horizontal orbit: hospitals and the cult of efficiency* New York: Holt, Rinehart and Winston
- Vogt, B. 1993. 'Networks as a means of organizational development', pp. 128–53 in F. Massarik (ed.), *Advances in organization development, volume 2*. Norwood, NJ: Ablex Publishing
- Watzlawick, P., J.H. Weakland and R. Fisch 1974. *Change Principles of problem formation and problem resolution* New York: W.W. Norton
- Wilkins, A.L. 1989 *Developing corporate character. How to successfully change an organization without destroying it*. San Francisco: Jossey-Bass

Date received 14 June 1998. Date accepted 13 April 1999.

CONTEMPORARY GOVERNANCE AND LOCAL PUBLIC SPENDING BODIES

ALAN GREER AND PAUL HOGGETT

This paper draws on recent research conducted by the authors to examine the nature of board/executive relations in three different kinds of Local Public Spending Body (LPSB). Big variations are noted, between and within sectors, in the way in which boards organize themselves and the degree of power they have in relation to executives. In all organizations studied the executive played a crucial role both in managing day-to-day operations and in setting the organization's strategic direction. Chief executives exercised considerable influence over the recruitment of board members and the maintenance of consensual relations between board and executive. The dilemma of the voluntary board member with limited time and a lack of inside knowledge of the organization he/she is accountable for is examined. It is argued that the most effective boards contain members with a strong sense of their own legitimacy and enjoy a membership with a diverse range of interests and experiences. It is suggested that such models might combine the merits of greater democratic responsiveness and enhanced organizational effectiveness.

THE EMERGENCE OF 'QUASI-GOVERNMENT'

In the UK, for more than a decade now, elected government has been withdrawing from the delivery of public programmes and services. There are no signs of reversal of this process. While, as we shall see later, the new Labour government is introducing some minor reforms in this area, there will be no renaissance in the delivery responsibilities of elected authorities of the traditional type. In the UK we are therefore witnessing a relatively stable paradigm shift in terms of the organization of the state. As a consequence a contrast is now often drawn between old-style government – 'the conventional institutions of the public sector' – and governance, which is a 'more general term for providing direction to society' (Peters 1997, pp. 51–2). Much of this direction is provided by an increasingly large tier of 'quasi-governmental organisations' (Skelcher 1998) made up of a variety of public, private and voluntary agencies which have been entrusted with the delivery of the policies of a strong but lean state. In fact, conventional distinctions such as public, voluntary and private are breaking down, 'marginal cases, intermediate types and hybrid organisations variously labelled as quangos or para-state organisations, proliferate haphazardly' (Metcalf 1993, pp. 176–7).

There is now a growing literature on the nature and operation of such

Paul Hoggett is Professor and Director of the Centre for Social and Economic Research at the University of the West of England, Bristol. Alan Greer is Senior Lecturer in Politics at UWE.

non-elected organizations in the health, education, employment training, urban development and housing sectors (see for example, Greer and Hoggett 1997a; Ferlie *et al.* 1995; Painter, Isaac-Henry and Rouse 1997; Pollitt *et al.* 1997; Rouse 1997). Referred to as 'local public spending bodies' (LPSBs) by the Nolan Committee, these are public service providers – often in the private or voluntary sectors and usually at the local level – 'which are wholly or largely publicly funded ... their decisions are in many respects part of public policy. Their actions may have a significant impact upon their local communities, going beyond those who are directly involved in the organisations themselves' (Committee on Standards in Public Life 1995b, p. 5). A key feature of LPSBs and other non-elected organizations which have become drawn into the delivery of public services by successive waves of public sector reform is that, at least in theory, they are governed by boards of largely lay members to which the organization's management is accountable. As Ferlie *et al.* (1995) note, 'often such reforms have involved incorporating a "board of directors" model into the public sector whereby traditional "member" roles evolve into those of "non-executive directors"' (p. 377).

Rhodes (1997, p. 47) identifies several uses of the term 'governance' including governance as the minimal state, as corporate governance, as the new public management and as a socio-cybernetic system. This paper focuses primarily on the (internal) corporate governance of LPSBs, drawing upon research into board-management relations and the processes of organizational decision making in housing associations (HIAs), further education corporations (FECs) and training and enterprise councils (TECs).

CORPORATE GOVERNANCE AND LPSBs

Perhaps unsurprisingly, the 1990s have witnessed a marked increase in concern with such forms of *corporate governance*, prompted by controversies about probity and performance in both the public and private sectors (Cadbury Committee 1992; Committee on Standards in Public Life 1995a; Ferlie *et al.* 1995; Hodges *et al.* 1996; NFHA 1995; Parkinson and Kelly 1999). These concerns focus primarily upon the hegemony of the executive – typically the chief executive or managing director and senior management – over the 'non-executive directors' (Lorsch and McIver 1989). At first sight this may seem odd given that these smaller, new-style boards, whose members' freedom to act was largely unhampered by questions of their own democratic accountability to wider groups of stakeholders, were expected to behave in a strategic and business-like way and be more challenging of executive domination than had been the case in either local government or the health authorities of the past (Ferlie *et al.* 1995, p. 378).

Corporate governance focuses on the way in which organizations – whether public, private, voluntary or hybrid – are directed and controlled, albeit within a wider environment of external relationships. For Ferlie *et al.* corporate governance 'directs our attention to the study of behaviour at the

strategic apex of organizations, in particular the roles, pattern of relationships and distribution of power at board level' (1995, p. 375). The corporate governance of organizations is strongly influenced by the patterns of relationships which develop between key personnel, the functions assigned to them, and by the types of issues with which they deal. For example, the centralization of policy making associated with both Conservative and Labour governments means that LPSBs are more concerned with strategy – here taken as the way in which organizations position themselves in their external environment – than policy direction (see Greer and Hoggett 1999, 1997 a and b). This in turn has important implications for the distribution of functions within the organizations themselves, expressed in a renewed attempt to draw a distinction between strategy and implementation. The picture painted by the Nolan Committee, for example, is one in which:

the board as a whole is responsible for the strategic overview and direction of the organisation and for the efficient and proper use of public funding. Day-to-day management is generally the responsibility of the chief executive (or head, principal or vice-chancellor) acting within the strategic framework set by the board (Committee on Standards in Public Life 1995b, p. 10).

Even if desirable, such a clear separation of roles is extremely difficult to operationalize. Nonetheless, the distinction usefully draws attention to the fact that boards and executives are meant to have substantially different functional roles, even if these overlap in practice.

METHODOLOGY

The empirical material on which this article is based was obtained from a research project funded by the Joseph Rowntree Foundation during 1996 (see also Greer and Hoggett 1997a, 1997b). Choice of sectors took account of the existing work on health bodies and schools (see Ferlie *et al.* 1996, 1995; Rouse 1997; Levacic 1995; Peck 1995; Power *et al.* 1994; Bush *et al.* 1993; Coleman *et al.* 1993; Halpin *et al.* 1993). However organizations, even within sectors, differ in terms of scope, size, origins, legal status and their relationship to elected local authorities. For example, TECs are private sector companies which contract directly with central government and service providers; the vast majority of TECs are independent corporations established under the Further and Higher Education Act 1992 which removed them from local authority control; whilst registered housing associations are voluntary not-for-profit bodies, some of which have charitable status, some are registered under the Companies Acts, and some are Industrial and Provident Societies (see also Stewart, Greer and Hoggett 1995; Weir and Hall 1994). The eleven organizations studied were situated geographically in greater London and the southern and western counties of England. As far as possible, organizations of roughly similar size were chosen within each sector. The housing associations, for example, were all small to

medium-sized organizations of somewhere between 3–7,000 properties with regional rather than national scope. The main part of the research project comprised eight in-depth comparative case studies of patterns of corporate governance – four colleges, three housing associations, and one TEC. This was supplemented by less detailed investigation of two TECs and one housing association.

Information was gathered from three sources of research data: actors accounts, documentary analysis, and observation of meetings (see Peck 1995). Semi-structured interviews were conducted with between seven and ten key actors in each organization, both board members and senior managers, including the chair and chief executive. The observational study of the boards and their committees, undertaken through attendance at meetings, allowed some longitudinal tracking of issues. Relevant documents and statements were also analysed, including annual reports, minutes of meetings, mission statements, agendas, and strategic and operational plans.

This approach allows conclusions to be supported by an element of triangulation and although the task of drawing meaningful comparisons is complicated by the diversity and complexity of the organizations studied, it is still possible to identify common themes and characteristics. However, there are two important caveats. Clearly there are dangers involved in drawing generalizations from a small sample relative to the number of organizations; the total of eleven case study organizations matches the number involved in the study conducted by Ferlie *et al.* (1995) but the research was conducted over a shorter time-span and involved fewer interviews. Perhaps more importantly, there is a risk that the samples are 'self-selecting'. The organizations involved showed a commendable willingness to open up their operations, including private meetings, to academic scrutiny. Nevertheless those organizations which agreed to participate might well have a good story to tell and were thus well disposed towards an in-depth investigation of their structures and operations. It is significant that several organizations explained their reluctance to become involved in terms of 'over-audit' and 'inspection-fatigue', attributed to the activities both of regulatory agencies and inquisitive academics. Our concern to understand the internal governance of such organizations led us to focus upon three main areas of interaction inside organizations: within boards, within management or the executive, and relationships between the two.

THE BOARDS OF LPSBs

Apart from the principals of FE colleges, board members in housing associations, TECs and FE Colleges serve in a non-executive, voluntary and part-time capacity. Whilst some senior managers see payment as appropriate given the ever greater demands made on members, the voluntary service ethic is still influential in British public life and remains a key value for many board members, particularly in housing associations (see Committee on Standards in Public Life 1996; NFHA 1995). However the increasing time

commitment required of members has implications for recruitment. The chair of a housing association, for example, commented that 'too many of us are getting past our sell-by date but the problem is finding people with time and motivation'. Although this was less of a problem in the TEC sector where business members were often given some company support for their activities, both the Commissioner for Public Appointments and the House of Commons Select Committee on Public Administration have argued that special measures might be needed such as recompense for lost earnings, expenses to cover caring responsibilities, and the more sympathetic timing of meetings.

The voluntary principle crucially influences the contribution which board members can make to the organization, including shaping its direction and holding the management to account. Many LPSBs have tried to improve participation and the quality of debate by limiting the length of meetings and by managing agendas to avoid time being wasted on reporting items. As a TEC chief executive remarked:

I never abuse people's time. You've got to have a reasonable agenda, you've got to stick to your fixed time of two hours for the board meeting, the executive never table items that aren't on the agenda, everything's got to be as succinct and sharp as possible, one side of A4 minimum and two sides maximum, avoid acronyms, use normal language.

The majority of board members interviewed accepted that their role was strategic, albeit discharged in partnership with management. Highlighting the variety of strategic roles that board members can play, responses included: 'to encourage management to think more broadly and globally, to question some of their decisions, to strike an air of caution' (TEC member); 'our's is a steering role, we're not just a promoter but also a receiver of ideas and creativity and we then put these ideas in context' (college governor); and 'our's is a guiding role, we're not rubber stampers this would be a total waste of time though 95 per cent of the time this is what we do after due consideration' (HA member). However, the effective discharge of these roles depends on quality information about the organization's activities.

Although often experts in their own fields, some members feel disadvantaged by a lack of specialist knowledge of the relevant policy sectors and are critical of the information they receive. Comments such as 'board members can't afford to believe that we will be told what we need to know' and 'I couldn't just rely on reports coming to me, that doesn't give me enough opportunity to question how the whole thing is moving', reflect a feeling that members need to have some alternative sources of information. Most of the organizations studied had tried to improve the quality of information provided for board members but the problem was exacerbated by the detailed specifications for the type and presentation of information imposed by external auditors and monitoring agencies. As Rouse com-

ments, the emphasis is 'towards a definition of performance heavily biased towards economy, efficiency and resource saving rather than effectiveness, with the attendant danger of the quantitative driving out the qualitative. The resource-driven agenda of central government merely reinforces this tendency' (1997, p. 69). The information gap also makes it difficult for board members to avoid concerning themselves with the day-to-day operations of their organizations. Many question, for example, how it is possible 'to have a strategic overview if you don't get involved in the detail' and argue that a 'monitoring role does mean that board members occasionally are digging in at a fairly low level to find out what is going on'.

Board members also have a vital stewardship role. Ensuring that money is properly spent and accounted for requires that, in the words of one TEC member, the board 'strike an air of caution' and see that effective reporting mechanisms and early warning signals are put in place. Referring to a major decision to develop a new campus, the vice principal of an FE college described the board's role, drawing on the expertise of two members in multi-million pound operations in the areas of land and finance, as 'a brake, holding us from charging ahead'. For the principal, however, the board's experience had been equally crucial in giving the executive the confidence to go ahead. Boards also add to the strategic intelligence and tactical dexterity of the executive by being able to contextualize, add new perspectives and bring new skills and knowledges. For example, a meeting of the Finance and General Purposes committee of an FE college accepted the argument of one governor, who had insight into FEFC thinking, that the budget forecast should not show a deficit because the funding council was likely to respond most benignly to colleges estimating a small surplus.

There are also important internal dynamics within boards. Most significant is the role of the chair, often working alongside one or two other senior board members. Historically chairs have played the pivotal role in board member recruitment, drawing on a variety of local contacts and professional and other networks. Thus the ex-chair of a housing association admitted that in the old days recruitment was 'done really on the old boy network to be perfectly honest, but it worked.' As Skelcher and Davis comment, appointment to LPSBs has 'normally been a "word-of-mouth" affair with a consequent lack of transparency about the criteria for selection. The main appointment route is the recommendation of existing board members and senior managers' (1996, p. 14).

With increased criticism about their age, gender, race and socio-economic profiles, most boards have tried to recruit a greater diversity of members through more open appointment procedures. Many now have a membership, search or personnel committee to co-ordinate the recruitment process, plus procedures such as skills audits to identify the expertise which the board needs to acquire. Some now advertise for board members; others have introduced age limits in an effort to remove elderly members and facilitate the composition of a more diverse board. However, there are

constraints on the extent to which measures taken by boards themselves can mitigate structural weaknesses. For example, giving business interests a statutory majority on the boards of TECs and FE Colleges made it difficult to make them more representative (Commissioner for Public Appointments 1997; House of Commons Select Committee on Public Administration 1998; Ferlie *et al.* 1995; Skelcher and Davis 1996; Horton and Jones 1996). There are also problems of supply outside London and the larger cities. As the chair of a housing association with a commendably diverse board remarked, 'people emerge . . . its a small town, a small area. You get to know people and their backgrounds.'

The composition of boards is crucial. Here our research echoes research on the health sector (Ferlie *et al.* 1995, 1996) which suggests that diversity contributes to effective corporate governance. It can be argued that effective boards need to transcend a narrow business perspective to incorporate individuals with a range of experience, skills and backgrounds – some who excel in subjecting proposals to detailed scrutiny, others who are prepared to be confrontational, and others with a keen strategic sense. Homogenous boards, particularly where they are clones of the chief executive, make for desultory, energyless board meetings. In contrast, boards which contain a wide variety of members can initiate, they are not always reactive. In two housing associations, for example, members were highly influential (in one case, against the wishes of the chief executive) in developing a strategy for the relatively new area of supported housing; similarly TEC members promoted a strategy to develop local chambers of commerce. Scrutiny is achieved in a number of ways. In one board meeting, for example, two members constantly raised questions, concerns, and requests for clarification.

In this context, the role of the chair is crucial to effective corporate governance, particularly the ability to orchestrate, co-ordinate and control the disparate activities of the board. Conflict management is a key skill, both within the board itself and in its relations with senior executives. A chair-designate of an FE college described his role as 'pulling together a whole lot of things . . . a coordinator . . . a direct brake on the principal . . . to make sure the principal is operating on lines which as a Corporation it has been agreed he should do'. Effective management of board meetings is also seen as crucially important, for example soothing potential conflicts between members. Nonetheless, the consensual approach is still clearly evident; indeed conflict avoidance is often viewed as a positive feature of organizational life and may also be interpreted as the sign of an effective chair. Referring to the homogenous culture of health boards, Ferlie *et al.* remark that 'deviants, heretics and rockers of boats were not welcomed' (1995, p. 382). In all three sectors considered here, boards rarely rejected proposals outright and issues were seldom put to a formal vote. One member argued that the culture of housing associations:

is not to have votes, for board members not to get too critical, not to put officers on the spot ... it's not just chief executives who feel there's a failure if there's dissent on the board. You feel very exposed if you are the one that's rocking the boat. When you push policies you almost feel as if you're out of your territory and infringing on theirs.

Chairs also play an important role in maximizing the contributions of board members, for example by helping them to develop the confidence, knowledge and skills needed for effective corporate governance. Such 'empowerment' can involve the provision of better information, improved conduct of boards and committees, and training programmes. One college introduced an on-line electronic information system for governors to help them keep in touch with developments, another appointed a high-powered Clerk to the Governors. Other organizations had introduced training techniques including site or project visits, and joint board-executive 'strategy away weekends'.

THE EXECUTIVES OF LPSBs

Chief executives and senior management teams are typically seen as responsible for the efficient and effective running of the organization in line with the parameters laid down by boards. However, the role of senior management encompasses much more than the operationalization of board decisions, although there are some important sectoral differences. FE college principals are members of governing bodies but chief executives in TECs and housing associations are not, although they normally attend board meetings. In practice, the role of the chief executive, for example as delineated by the National Housing Federation (NHF), is to manage 'the affairs of the association in accordance with the general policies and specific decisions of the board' but also to help the board 'determine the association's strategy' (NFHA 1995, pp. 16, 30).

Executives and managers, therefore, play a crucial role in formulating policy and setting the strategic direction of organizations. Such issues are usually first raised at meetings of management teams and subsequently presented to boards for discussion, often at away-days. For one college principal the key 'is to have vision, to try to see where we are going, where we will be in five years'. Similarly the director of a housing association saw his role as 'trying to translate current operational pressures into policy guidance ... not only reactive but proactive'. Overall, senior managers were consistent in their view that an effective board was one which could keep clear of detail. Indeed some believed that an effective working partnership requires board members who can make things more difficult for the executive in terms of hard discussion about important issues.

Another important role of chief executives and their senior colleagues is the management of consensual relations between board and executive (Graystone 1996). Here the crucial relationship is that between chief executives and chairs, perhaps the pivotal axis on which the effective corporate

governance of the organization depends. Chairs and chief executives often have pre-agenda sessions before board meetings. Ferlie *et al.* (1995) found this axis to be a dominant pattern of governance in the health sector and it also characterized two of the FE colleges studied here, although perhaps more because of the chair's style rather than the tactics of the chief executive. One college chair was portrayed as someone who 'tends to get on with things, he's not a great delegator himself and he works very closely with the Principal'. An effective axis can enhance the position of each partner. For example, one chief executive relied on his chair to say things like 'I wouldn't say that at governors or I wouldn't put your argument like that'.

Chief executives generally try to avoid open disagreement between board and management – regarded by some as an indicator of professional failure. Most put a premium on preparing the ground for their proposals in advance, often in conjunction with the chair. As one TEC chief executive said, 'we rehearse, there must be no surprises, no bouncing them, if there is a contentious issue we'll pick off one or two more influential members ... we've never had a vote and we couldn't afford to have divisions among the board when they meet for just two hours once a month'. Senior executives also sound out board members on controversial proposals, usually via the chair, and develop informal coalitions with other members. Thus one housing association member spoke of 'tipping the wink' to the senior management team after discovering that two other senior board members were planning to oppose a major strategic decision.

Some chief executives are reluctant to accept the rejection of proposals by the board. One remarked that 'if the committee make a bad decision and overturn a recommendation of mine I will say to them "you're wrong, you've made a bad decision", then I'll bring back the recommendation and get it reconsidered'. However this is more likely to happen with an effective and participatory board. As the same chief executive remarked: 'I've got a powerful and talented board who can give you a tough time. I've got to be a good conductor ... I respect the board ... they aren't my clones or the officer's clones'. Most senior management teams operate corporately and open disagreement in front of the board is very rare. As one executive put it, 'there are deep divisions within our management team and having lost the battle at management team you have a sneaking suspicion you could go to the board, but you don't'.

PATTERNS OF GOVERNANCE

Patterns of corporate governance in LPSBs in the housing, further education and training sectors vary significantly, even between organizations in the same sector. Nonetheless, at least three typical patterns of governance were evident from our research. In the *functional committee* model a main board usually meets quarterly to consider reports from several committees such as finance and development (which often have decision-making powers in their own right). The full board approves major items and considers

important issues which cannot be easily picked up by the committee system. This model maximizes participation of board members but can be a recipe for the duplication of effort between full board meetings and committee meetings. It can also fragment board activity and encourage members to get immersed in detail.

In the *inner core* approach a core committee of the most influential members (often chairs of functional committees) meets regularly with the executive. In two colleges the core was clustered around the Finance and General Purposes Committee; in one it centred on a group of long-standing board members whereas in the other it comprised the newer breed of 'business-like' public and private entrepreneurs. This approach allows quicker decision-making, a more equal relationship between some members and the executive, and an informal atmosphere may permit more effective forms of member-officer dialogue. A disadvantage is that members outside the core can become marginalized and disillusioned; indeed one of the housing associations returned to the functional model for this reason. The inner core model has similarities with the small joint board of executive and non-executive directors common in NHS trusts (Ferlie *et al.* 1995). Although rejected by the National Housing Federation and most board members, several housing association executives argued that as board members they would be responsible for decisions which they already took in practice and that a joint board could 'deal with business more quickly and efficiently and perhaps have a better quality of debate'.

In the *corporate board* model decisions are taken by a relatively small full board, with no inner core or functional committees other than that for audit. This approach is difficult for further education colleges which are required by statute to have a finance committee or equivalent and a remuneration committee. Panels and sub-groups may exist but have no decision-making powers and tend to be more *ad hoc* and task-oriented. The full board, meeting monthly or every six weeks, is the primary forum for members and considers all issues of importance to the organization. The advantage of this model is that it gives all board members a sense of ownership in the organization and promotes inclusivity. Advocates also argue that it is the most effective means of involving busy people in voluntary organizations.

In practice, patterns of governance combine elements of several, if not all, of these approaches. No one model characterizes specific sectors and any of them can be adopted by organizations in all three sectors. Variety is the norm and it is quite possible for the internal governance of two organizations in different sectors to be more alike than two organizations in the same sector. Other relationships, such as a chair/chief executive axis and fluctuating coalitions (Wilson and Game 1994), may be superimposed upon these patterns.

THE BOARD AND THE EXECUTIVE

Whilst important for corporate governance, none of these patterns is notably more effective than the others. Effective boards in all sectors tend to be proactive rather than reactive to a management agenda, and are prepared to criticize and to reject management proposals. In both the 'old public management' and in traditional private sector corporate governance, governing bodies have been characterized by their relative weakness *vis-à-vis* chief executives and senior managers (Ferlie *et al.* 1995; Lorsch and McIver 1989; Horton and Jones 1996, pp. 29–32). This may be attributed partly to structural factors such as the full-time status of executives, their technical expertise and control of information, the availability of time to research and formulate proposals, and their access to professional and other networks, (see also Levacic 1995, p. 39). 'Rubber-stamp' patterns of board-management relations are still evident in the world of LPSBs. Jephcote *et al.*, for example, note that a FE principal is able 'to put his or her own ideas into action. It might be . . . that principals and senior colleagues provide important role models which help to determine the college culture and define its values' (1996, p. 34).

Drawing on their study of the health sector, Ferlie *et al.* (1995) have developed a continuum to assess the performance of boards. Level A represents the 'rubber stamp', level B boards are more probing and questioning, and at level C there is substantial non-executive involvement in deciding between strategic options at an early stage in the process. Most of the boards observed for this study were undoubtedly developing a more strategic level B role whilst many of their operations continued to have the character of level A. For example, the chair of a college board drew an unfavourable comparison with his experience as the managing director of a large local firm:

we're almost rubber stamping their vision of the way forward. Most of what the principalship proposes we go along with perhaps tweaking it here and there. Directors of a private company would be more influential. Lots of governors feel that until they know more they can't contribute as much as they'd like; with my company the directors really know the business.

One housing association member referred to the board flying 'at about 15,000 feet; a few years ago it flew at about 3,000 feet and often walked on the ground . . . we are somewhere between where we have been and where we ought to be'. The transition to level C requires cultural as well as structural change – board members need to genuinely want to make the transition. Conceptually, ranking organizations along a simple continuum is too mechanistic and obscures important differences between and within boards. It is, for example, not unusual for the same board to operate as a rubber stamp on some issues yet take a much more strategic approach on others. At any point in time a board may not be at the same level on all

issues and they may adopt different styles for different issues. The notion of levels therefore needs to be able to accommodate greater complexity and variation if meaningful conclusions are to be drawn about the balance of power between boards and executives in different organizations.

In most LPSBs chief executives are pivotal and with senior executives shape the agenda and the mobilization of bias. In the so-called 'Carver approach' – an influential model of governance in the not-for-profit sector and adopted by several LPSBs – boards should set the parameters of where the organization is going and as 'long as we know we are not being cheated, it is usually best to let the taxi driver decide the route and the lanes in which to drive' (Carver 1990, p. 80). A picture common to the rhetoric of corporate governance in LPSBs, therefore, is one where boards set the strategic parameters within which the executive team operates. The problem is that even at this rhetorical level such a rigid separation of roles is difficult to sustain in practice. Terms such as policy, strategy, administration and operations are often interpreted in different ways by different individuals within the same organization. The boundaries between them are fuzzy and the terms themselves are habitually contested in a process of role clarification (Greer and Hoggett 1999). In the words of one governor of a college which has adopted an anglicized version of the Carver model: 'we keep looking at the Carver model. I keep pushing the boundaries. The principal keeps pushing them back and that is how it should be'. The sphere of strategy is frequently encroached upon by the executive and board members stray into the sphere of operations; the latter may try to define issues as strategic to justify meddling in operational matters, and managers may try to define some issues as operational in order to keep them out of the reach of members. Operational issues may also acquire strategic significance; indeed for Mintzberg strategy is constitutive of or constituted by operational decisions, what is termed fundamentally 'emergent' (Mintzberg and Waters 1985). Crisis and personnel management, indeed stewardship generally, also sits uneasily with the strategy-operations distinction.

CONCLUSION: MANAGERIALISM AND STAKEHOLDER DEMOCRACY

One important aspect of the influence of new public management on the LPSB sector has been the concern with making boards more 'businesslike', both in respect of the expertise of members and in terms of the conduct of boards. Rouse argues that LPSB boards have tended to reflect 'more specialized constituencies and adopt a narrower "stakeholder base" than their elected counterparts' and have historically been less concerned with the broader community and citizens (1997, p. 69). But, as we have seen, despite this narrower focus the new boards have not been particularly effective in challenging managerial hegemony; they may not be 'rubber stamps' but neither do they have much influence over the strategic framework within which management then operates.

Our research adds to other findings which indicate that homogenous boards tend to be reactive boards. Moreover the new boards also display 'an achievement orientation rather than a representative orientation' and fail to look after the interests of the users of the services (Ferlie *et al.* 1995, p. 384; see also Rouse 1997, pp. 71–2). Indeed one survey has found that only 36 per cent of board members in FE colleges felt that greater public involvement in board work would be beneficial, compared to 57 per cent in TECs (Skelcher and Davis 1996, p. 18). As Skelcher and Davis argue, however, the point

is not that individuals on boards should necessarily 'represent' – that is act to advance the interests of a group to whom they belong – but that a breadth of experience supports appropriate and responsive decision making. . . . The emphasis on business skills, for example, overlooks other skills that are important in the public service. These might include the capacity to understand the needs of diverse groups and to develop policies that reflect a wider public interest (1996, pp. 3–14).

This reflects important aspects of the debate about the relationship between the composition of boards and effective corporate governance. During the last years of the long period of Conservative government, the 'stakeholder principle' was advocated as an alternative to business models as the organizing principle of governance (Hutton 1995). This notion resonates with communitarian concepts of society, models of corporate governance which see the board as accountable to something more than its immediate shareholders, and with new models of democratic participation. The Nolan Committee advocated a form of stakeholding in which boards incorporate a balance of skills, interests and backgrounds in order to promote healthy debate and effective decision making (Committee on Standards in Public Life 1995a); this contrasts with the priority given to considerations of merit and efficiency by the House of Commons Select Committee on Public Administration (1998, para. 32).

The Labour government has made some significant changes to the way the non-elected sector in general operates which, although not as extensive as some critics might wish, can be interpreted as a move away from managerialism towards stakeholding. In addition to proposals to make a range of non-departmental public bodies more accountable and open to public scrutiny, the government has emphasized the need to attract a more diverse range of people onto quangos. NHS trust boards, for example, are required to include more representatives of local communities, users, patients, carers, health visitors and volunteers. With over 1,000 vacancies in NHS bodies falling vacant shortly after the 1997 election, the government has used the opportunity to change the composition and ethos of many boards. The result has been a notable increase in the proportion of women and people from ethnic minorities on health boards (*Guardian*, 30 December 1997).

In the consultation document on Accountability in Further Education, the

government argues that colleges' freedom to manage themselves independently should 'be balanced by responsiveness and accountability to their community' (DfEE 1998, p. 1). A stakeholder model is advocated as the basis for reforming the constitution of FE corporations, involving a reduction in the representation of business members (including TEC representatives) from at least one-half to one-third of the total board membership. Two other primary groups of stakeholders should also be involved in college governance – 'the internal college interest – staff and students', and 'external college interests – local authorities, local community groups, parents and others'. Each of these groups could comprise up to one-third of the membership of the college board.

In anticipation of the arrival of a new Labour government, the housing association movement took a number of steps in the mid-1990s to re-establish their legitimacy *vis à vis* elected housing authorities. The *Guide to Accountability for Independent Social Housing Organisations* (NHF 1997) advocated an innovative stakeholder model. As part of a strategy for reinventing social housing, the *Guide* identifies five main groups of stakeholders – tenants, local authorities, local communities, other partners and shareholders – and considers a variety of ways of maximizing their involvement, including changes to the way in which the boards of housing associations are composed.

Potentially, the stakeholder approach is an advance on both traditional forms of public sector government and the new public management. It incorporates newer forms of democratic participation such as user involvement, the co-option of special interests and excluded groups, and the direct representation of small spatial communities. Stakeholder models of governance, therefore, promise greater democratic responsiveness and enhanced organizational effectiveness. However, changing the composition of boards is not itself sufficient; much also depends upon the willingness of members and executives within organizations to abandon the culture of conflict avoidance and embrace the 'constructive conflict' which a strong stakeholder model might bring through the inclusion of contrasting perspectives, experiences and expertise.

If a diverse board, representing a range of stakeholders, is essential for effective corporate governance, then it is arguable that some of the central tenets of 'new public management' make this more difficult, particularly in relation to how organizations are made accountable to external interests. Hodges *et al.* argue (1996, p. 12), that systems of corporate governance need to be devised to 'provide assurance to stakeholders that the sector is in capable and honest hands, while, at the same time, avoiding the negative effects of tight control and bureaucracy, to enable performance objectives to be achieved and improved' – precisely what many identify as features inherent in the new public management.

For Rouse, the 'fact that missions and objectives are largely centrally determined explains why there are remarkable similarities in sample agen-

cies' (1997, p. 64). We agree and disagree with this statement. First, in terms of convergence, most LPSBs, irrespective of sector, are under strong pressure to behave strategically whilst simultaneously severely constrained from doing so (Greer and Hoggett 1999). Most also have an essentially 'consumerist' orientation to their 'publics' rather than one based upon concepts of rights, citizenship and social justice. Finally, most are strongly managerialist and, despite efforts to open up board recruitment, are still governed primarily by what might be thought of as 'elite volunteers' (Greer and Hoggett 1995).

But despite these similarities our research also revealed considerable diversity. This is partly derived from actual differences in the policy environments of the three sectors. For example, even in the context of a strongly centralist government the range and depth of controls over the TEC sector was much greater than for housing associations (Greer and Hoggett 1999). But our research revealed as much variance within sectors as between. This meant, for example, that within our sample of eleven organizations a further education college in South London and a housing association in Cornwall had more in common with each other than with other organizations within their respective sectors. For example, the membership of these two organizations was quite diverse (a result of conscious action in both cases), both were driven by powerful chief executives, each organization gave considerable emphasis to questions of social justice and community empowerment and each, at different times, had adopted an 'inner core' governance model. Our sample was too small to develop reliable hypotheses about the kinds of dimensions along which LPSBs vary. Suffice to say that much of this variance seems to relate to cultural and behavioural rather than structural aspects of the organization. The kinds of criteria we have in mind would include a question such as the strength of the commitment to social values alongside business values, the 'outward-lookingness' of the organization and the degree of compliance towards central government and its arm's-length funding and regulatory agencies.

It now seems unlikely that LPSBs will be brought back under the direct democratic control of local government and that such quasi-governmental organizations are here to stay (Skelcher 1998). The consultation paper *Accountability in Further Education*, for example, expressed the conviction that 'independence has helped colleges to become more flexible and responsive to changing demands' and makes clear the belief that colleges 'should retain self-governing status' (DFEE 1998, p. 1). If this is the case then democratic renewal within the public sector will partly depend upon whether such quasi-governmental organizations can become a site for experimentation with new democratic forms and specifically, perhaps, stakeholder models of democratic accountability. Clearly this partly depends upon the constitutional radicalism of the new Labour government. But it also depends upon the extent to which the boards of these organizations can become a strong and effective mouthpiece for local communities and ser-

vice users, both in relation to their own executives and in relation to elected government.

REFERENCES

- Bush, T., M. Coleman and D. Glover. 1993. *Managing autonomous schools*. London: Paul Chapman Cadbury Committee.
1992. *Report of the Committee on the Financial Aspects of Corporate Governance*. London: Professional Publishing.
- Carver, J. 1990. *Boards that make a difference: a new design for leadership in nonprofit and public organisations*. San Francisco and Oxford: Jossey-Bass.
- Clarke, J. and J. Newman. 1997. *The managerial state: power, politics and ideology in the remaking of social welfare*. London: Sage.
- Coleman, M., T. Bush and D. Glover. 1993. 'Researching autonomous schools: a survey of the first 100 GM schools', *Educational Research* 35, 2.
- Commissioner for Public Appointments. 1997. *Second report 1996-97*. London: CPA.
- Committee on Standards in Public Life. 1995a. *First report*, vol. 1 Cm 2850 I. London: HMSO.
- 1995b. *Local public spending bodies: issues and questions*. London: HMSO.
- 1996. *Second report, Local public spending bodies*, vol. 1 Cm 3270-1. London: HMSO.
- Davis, H. and J. Stewart. 1994. *The growth of government by appointment: implications for local democracy*. Luton: Local Government Management Board.
- DfEE. 1998. *Accountability in further education: a consultation paper*. Department for Education and Employment.
- Ferlie, E., L. Ashburner and L. Fitzgerald. 1995. 'Corporate governance and the public sector: some issues and evidence from the NHS', *Public Administration* 73, 3, 375-92.
- Ferlie, E., A. Pettigrew, L. Ashburner and L. Fitzgerald. 1996. *The new public management in action*. Oxford: University Press.
- Graystone, J. 1996. 'How to cope when Nellie has gone', *Times Educational Supplement*, 26 July.
- Greer, A. and P. Hoggett. 1995. 'The breeding of the new quango professional', *Parliamentary Brief* 3, 4.
- 1997a. *Patterns of accountability within local public spending bodies: steering between government and the market*. York: Joseph Rowntree Foundation.
- 1997b. 'Patterns of governance in local public spending bodies', *International Journal of Public Sector Management* 10, 3, 214-27.
- Greer, A. and P. Hoggett. 1999. 'Public policies, private strategies and local public spending bodies', *Public Administration* 77, 2, 235-56.
- Halpin, D., S. Power and J. Fitz. 1993. 'Opting into state control? Headteachers and the paradoxes of grant-maintained status', *International Studies in the Sociology of Education* 3, 1.
- Hodges, R., M. Wright and K. Keasey. 1996. 'Corporate governance in the public services: concepts and issues', *Public Money and Management* 16, 2, 7-13.
- Hoggett, P. 1996. 'New modes of control in the public services', *Public Administration* 74, 1, 9-32.
- Horton, S. and J. Jones. 1996. 'Who are the new public managers? An initial analysis of 'Next Steps' chief executives and their managerial role', *Public Policy and Administration* 11, 4, 18-44.
- House of Commons Select Committee on Public Administration. 1998. *First Report* HC 327, 1997-98.
- Hutton, W. 1995. *The state we're in*. London: Jonathan Cape.
- Jephcote, M., J. Salisbury, J. Fletcher, I. Graham and G. Mitchell. 1996. 'Principals' responses to incorporation: a window on their culture', *Journal of Further and Higher Education* 20, 2, 33-48.
- Levacic, R. 1995. 'School governing bodies: management boards or supporters' clubs?', *Public Money and Management*, April-June.
- Lorsch, J. and E. McIver. 1989. *Pawns or potentates: the reality of America's corporate boards*. Boston: Harvard Business School Press.
- Metcalfe, L. 1993. 'Public management: from imitation to innovation', in J. Kooiman (ed.), *Modern governance: new government-society interactions*. London: Sage.
- Mintzberg, H. and J. Waters. 1985. 'Of strategies, deliberate and emergent', *Strategic Management Journal* 6, 257-72.

- NFHA (National Federation of Housing Associations). 1995. *Competence and accountability. the report of the inquiry into housing association governance*. London: National Federation of Housing Associations.
- NHF (National Housing Federation, formerly NFHA). 1997 *Roles, relationships and redress a guide to accountability for independent social housing organisations*. London: National Housing Federation.
- Painter, C., K. Isaac-Henry and J. Rouse 1997 'Local authorities and non-elected agencies: strategic responses and organisational networks', *Public Administration* 75, 225-45
- Parkinson, J. and G. Kelly 1999. 'The combined code on corporate governance', *Political Quarterly* 70, 1, 101-7.
- Peck, E. 1995. 'The performance of an NHS trust board: actors' accounts, minutes and observations', *British Journal of Management* 6, 135-56
- Peters, B. Guy. 1997 'Shouldn't row, can't steer. what's a government to do?', *Public Policy and Administration* 12, 2, 51-61.
- Pollitt, C., J. Birchall and K. Putman. 1997 'Opting out and the experience of self-management in education, housing and health care', *ESRC Local Governance Programme. Working Paper 2*. Glasgow: ESRC.
- Power, S., D. Halpin and J. Fitz. 1994. 'Underpinning choice and diversity? The grant maintained schools policy in context', in S. Tomlinson (ed.), *Alternative education policies*. London: IPPR/Rivers Oram Press.
- Rhodes, R. 1997 *Understanding governance: policy networks, governance, reflexivity and accountability*. Buckingham: Open University Press
- Rouse, J. 1997. 'Performance inside the quangos: tensions and contradictions', *Local Government Studies* 23, 1, 59-75.
- Skelcher, C. and H. Davis. 1996. 'Understanding the new magistracy: a study of characteristics and attitudes', *Local Government Studies* 22, 2.
- Skelcher, C. 1998 *The appointed state: quasi-governmental organisations and democracy*. Buckingham. Open University Press.
- Stewart, J., A. Greer and P. Hoggett. 1995. *The quango state: an alternative approach*. Research Report No. 10. London: Commission for Local Democracy.
- Weir, S. and W. Hall (eds.) 1994. *Extra-governmental organisations in the United Kingdom and their accountability*. London: Charter 88 Trust.
- Wilson, D. and C. Game 1994. *Local government in the United Kingdom*. London: Macmillan

Date received 30 June 1998. Date accepted 28 May 1999.

Governance

An International Journal of Policy and Administration

Edited by Bert A. Rockman and Jon Pierre

Governance provides a forum for the theoretical and practical discussion of executive politics, public policy, administration, and the organization of the state. Published under the auspices of the International Political Science Association's Research Committee on the Structure and Organization of Government, it emphasizes articles which take an international or comparative approach to public policy and administration. All papers, regardless of empirical focus, should have wider theoretical, comparative, or practical significance.

Governance ISSN 0952-1895 Volume 13 (2000) contains 4 issues

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia

Contact e-help@blackwellpublishers.co.uk



BLACKWELL
Publishers

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

FOOD SAFETY REGULATION AND THE CONFLICT OF INTEREST: THE CASE OF MEAT SAFETY AND *E. COLI* 0157

RICHARD SCHOFIELD AND JEAN SHAOUL

The Food Standards Agency (FSA) aims to remove the longstanding conflict of interest between producers and consumers which is thought to lie at the heart of the rising number of food safety problems of recent years, to restore consumer confidence, and to protect public health. This paper sets out firstly to understand what the conflicts are, how they arise and their implications for food safety, and secondly to provide some means of evaluating the proposals for the Food Standards Agency. It does this by examining the current food safety regulatory regime as it relates to *e. coli* 0157, one of the problems that gave rise to the FSA and an exemplar of the problems of meat safety, and places it in its wider economic context.

The results show that the financial pressures on the food industry were such that food hygiene was largely dependent upon external regulation and enforcement. But the deficiencies in the conception, design and implementation of the Food Safety Act, which was fundamentally deregulatory and privileged producer interests, permitted the food safety problems to grow. The case also, by illustrating how the interests of big business predominate in the formulation of public policy at the expense of the public, reveals how the class nature of the state affects public policy and social relations. Without addressing these issues, the problems they give rise to will remain. While the case is based on experiences in Britain, the problem of food safety and the issues raised have an international significance.

E. COLI 0157: FOOD SAFETY REGULATION AND THE CONFLICT OF INTEREST

But, let us not lose sight of the key issue – creation of the Food Standards Agency will remove the long-standing conflict of interest which **may**, in the past, have compromised the public interest. The agency will have no role in sponsoring the food industry or protecting the interests of farmers. Its statutory duty to protect public health along with a new openness in its decision-making processes should make a real difference to consumers (James 1998, p. 10) [emphasis added].

At the beginning of 1999, the government published legislation to set up a Food Standards Agency (FSA) whose central aim would be the protection of public health. While the public at large was increasingly concerned about

Richard Schofield is a Lecturer in the Business School at the Bolton Institute, Bolton and Jean Shaoul is a Lecturer in the School of Accounting and Finance at Manchester University, Manchester.

food safety, the food industry, particularly the meat industry, was in crisis. It had lost valuable markets both at home and abroad after the government announced a connection between Mad Cow Disease and nvCJD in humans in March 1996. Moreover the industry was represented at international forums by government agencies that had become discredited as a result of the failure to control the BSE epidemic. It was clear to all that a change was needed to restore consumer confidence and sales revenues.

The decision to establish the FSA was finally taken by the Conservative government early in 1997 in the wake of a number of public health crises and epidemics that have affected the food industry in the UK in recent years: salmonella, listeria, botulism, BSE/nvCJD and most recently the outbreak of *e. coli* 0157 food poisoning in Scotland in 1996–97 which killed 22 elderly people, hospitalized several hundred and left many with serious long-term effects. Since then there have been further sporadic outbreaks of *e. coli* and the reported incidence of the disease has risen from zero in 1980 to more than 1,000 in 1997 (PHLS 1999). As well as the rise in *e. coli*, the incidence of all food poisoning reported in England and Wales rose from 20.8 per 100,000 in 1980 to 95.4 in 1994 (ACMSF 1995a). The Audit Commission warned as long ago as 1990 that food safety was inadequate and the regulatory regime needed to be overhauled and improved: 'Waiting until a serious food poisoning incident occurs is not good enough' (Audit Commission 1990a, p. 12).

The only serious media discussion about the causes of *e. coli* and other food infections relate to the scientific issues. While these are clearly important, science in general and microbiology in particular is treated as something separate and distinct from the economic, social and political world in which scientific laws operate. Little attention has been paid to the social, financial and regulatory context. Since the end of the 1970s there have been numerous changes in the wider regulatory framework: the introduction of compliance cost assessment so that regulations are only introduced if the costs to the industry are not excessive; an end to 'over-zealous' enforcement; and the introduction of self-regulation and the concept of 'due diligence'. All this was accompanied by ever increasing financial cutbacks in the public services, including the enforcement agencies. It marked a change from the Keynesian Welfare State system of the post-war period whereby, nominally at least, the state claimed to act in the public interest and modify the activities of private corporations with the imposition of rules, constraints and laws (Ogus 1994).

As Teeple (1995) explained, in the past, government regulations and the associated agencies grew more or less in line with the pace of technological developments and public pressure. The immediate post-war period saw an unprecedented application of technology to the food industry: the development of new fertilisers, seeds, agricultural methods, genetic modification, livestock rearing practices, food manufacturing processes and storage, etc. These expensive changes in the technology of food production and distri-

bution required finance and markets that led to the growth and dominance of a few large corporations operating on an international basis. But from their point of view, government regulation was a hindrance to new developments: regulations were rapidly overtaken by new technologies that made them irrelevant; it was time consuming to gain regulatory approval for new products or processes; and each country had different regulations and standards. By the 1970s, as profit rates declined, the corporations sought ways of reducing costs, including the cost of regulation. They sought firstly the downgrading or elimination of national standards to allow them to compete freely against domestic producers and secondly the imposition of (lax) international standards.

All the internal economic organizations: World Trade Organisation, Organisation for Economic Cooperation and Development, International Monetary Fund and the World Bank, on whose committees these corporations sit, insisted on deregulation and/or the acceptance of international standards. As a result, governments all over the world deregulated their economies, including the food industry. As others (Tolchin and Tolchin 1983) have explained, after an initial flurry of new entrants and competition, deregulation led to the growth of oligopolies with increased political power. Public policy came increasingly to reflect the needs of international organizations and corporations. Regulatory power moved away from local government, which to a limited degree served local community and business interests (Newton and Karran 1985), to central government, which could more easily be controlled by big business. Thus the state, while representing the class interests of capital, is itself the object of struggle (Marden 1992). Regulation is highly contested and both reflects and determines the power of actors that dominate the regulatory scene (Hancher and Moran 1989). In the case of the food industry, the changes in the regulatory framework at numerous levels have altered the balance of power in the supply chain: they have privileged the large enterprises at the expense of the small and the retailers at the expense of their suppliers (Marsden and Wrigley 1996).

The White Paper (MAFF 1998) which outlined the FSA's structure and functions was based on the James report, commissioned by the Labour Party shortly before taking office in 1997. But despite its origins in the public concern over food safety, the James report (James 1997) makes little reference to the events and the nature of the issues thereby expressed that gave rise to public concerns. Neither does it analyse the way the regulatory processes work or challenge the assumptions of food safety policy. The recommendations are largely concerned with the organization, structure and responsibilities of the FSA, not the mechanisms for controlling food safety, in an attempt to restore consumer confidence. They are made without presenting the empirical evidence as to what the issues are. The absence of evidence linking the recommendations to the actual public health problems and the chain of contamination means that it is unclear whether the issues

raised are the real or most important ones and the recommendations can or will have any real impact on food safety.

By contrast this paper studies the *e. coli* chain of contamination in its social context and highlights the practices in the food industry and regulatory environment which led to this tragedy. While for simplicity's sake we concentrate on *e. coli*, the issues are pertinent for salmonella, campylobacter and other microbiological problems in meat safety (DoH 1990, 1991; Laming 1992). Meat in turn accounts for about 20 per cent of all food sampling and 33 per cent of all prosecutions (table 8). Meat safety is therefore a crucial part of the food safety problem.

The *e. coli* bacteria is one of a range of common bacteria to be found in the guts and excreta of livestock. It is thought to have arisen as a result of the indiscriminate use of antibiotics and to be transmitted via animal based feedingstuffs and faecal contamination. Most forms of *e. coli* are harmless but *e. coli* 0157 can cause severe disease in animals and man. The *e. coli* 0157 infection is chiefly spread to humans via the consumption of contaminated meat, particularly minced beef, milk and their associated products (PHLS 1999). There are several vital links in the chain of infection: the livestock, animal based compound feeds, the slaughtering process, and refrigeration and hygienic storage along the distribution chain. While others have examined the operation of the food safety regime on an *ex ante* basis, we examine the policy-making regime, its operation and consequences *ex post facto*, assess the implications for *e. coli* and food safety, and evaluate the proposed FSA.

While the case is based on British experience, the problems and issues have an international significance. Food safety has become an increasing problem all over the world as the technology of food production and social patterns have changed, and food, including manufactured food, is increasingly traded beyond national borders. Major outbreaks of *e. coli* and other food poisoning incidents in the USA, Japan and Australia, to cite but a few examples, have been widely reported in the international press. As a result, the European Commission has been forced to give greater attention to consumer protection. This case study therefore has the potential to inform wider debates on food safety and public policy formation.

The paper is organized in several sections. The first section describes the financial pressures on and the relations within the food industry and the implications for food safety and hygiene. The second section analyses the key elements in the design of the legal and policy-making framework as it relates to food safety. The third section examines problems that arise in its implementation as a result of its design. The fourth section explains how the food inspection regime actually operates and cites the evidence produced by the various enforcement agencies about hygiene conditions within the industry. The final section evaluates the part played by public policy in the food safety problems, the proposals for the FSA in the light of these findings and whose interests are served.

THE FINANCIAL PRESSURES IN THE MEAT INDUSTRY

The post-war period saw major changes in livestock rearing which altered the financial costs and structure of the food industry. These changes allowed British agribusiness to compete on the world markets, become a net exporter of red meat for the first time in 1994, dominate the world markets in compound feeds and other agrochemicals, and increase its exports of processed food and drink (Shaoul 1996). This in turn permitted the growth of ever larger corporations and monopolies which exercised considerable political power and influence. More than one-third of the top one hundred companies on the London Stock Market are involved in food and agribusiness. Food, drink, tobacco and agrochemicals have replaced heavy industry as Britain's most important manufacturing corporations. Of the 20 largest food and drink corporations in Europe, 13 are British. The two sectors which have increased their share of the European market, at least until the emergence of the BSE crisis in March 1996, are food, drink and tobacco, and financial services. But the changing structure and increasing concentration of the food industry have financial implications which determine how the meat industry operates and its ability to provide the consumer with safe and wholesome food.

A few large supermarkets control more than half of all household sales of meat and meat products in Britain, while Macdonald alone controls 8 per cent of the total beef market in Britain. This means that a few outlets exert enormous buying power over their suppliers, the meat processors for meat products and the abattoirs for fresh meat, who are typically much smaller and very fragmented. This in turn means that the meat processors must squeeze their suppliers, the abattoirs. But the abattoirs are caught between the rock of the supermarkets and the hard place of expensive livestock whose prices are kept high by a complex system of European Union (EU) subsidies and subventions determined by political horse trading by national European governments.

The squeeze on the abattoirs is tightened even further by the rendering industry which, although little known, plays an absolutely vital part in the meat chain. The abattoirs must dispose of their animal waste within 48 hours of slaughtering, and preferably 24 hours, or the local authorities will for health reasons order slaughtering to cease. Thus the disposal of animal waste is the absolutely crucial link in the meat chain (MMC 1985, Harrison 1991). Failure to collect animal waste will bring the industry to a halt and financial ruin to the abattoirs concerned. It is the rendering industry which takes the waste and converts it into byproducts, many of which find their way back into the food chain as animal feeds, fertilisers and oleochemicals, etc. The renderers can in effect hold the entire meat industry to ransom and in the absence of any public provision for the disposal of animal livestock, they are in a very powerful position *vis-à-vis* the abattoirs.

Moreover two big monopolies began to dominate the rendering industry:

Prosper de Mulder (PDM) in England and Wales, and Forrest, a subsidiary of Hillsdown, in Scotland. In 1985 PDM controlled about 35 per cent of the red meat waste (MMC 1985). In 1993 it controlled nearly 65 per cent (MMC 1993). The monopolies used their position for their own financial advantage. This little known sector is the most profitable within the entire food sector, with margins 30 per cent higher than those of the food industry as a whole, five times higher than the abattoirs and meat processors, more than double the giant supermarkets and 30 per cent higher than the compounders which are big multinational corporations (table 1). But their financial gains have largely been at the expense of the abattoirs. Since the mid-1980s when demand for their products fell as a result of the Common Agricultural Policy which cut milk production by 9 per cent in 1984, they used their powerful position to charge the abattoirs for waste collection whereas previously they used to pay the abattoirs for their animal waste (MMC 1991). They thereby deprived the cash strapped abattoirs of a small but crucial source of revenue while at the same time lowering their own costs (table 1).

The increasing concentration of the rendering industry was investigated by the Monopolies and Mergers Commission which did nothing to stop the growing monopoly. But the submissions to these little known investigations (MMC 1985, 1991, 1993) provide a wealth of evidence about the financial pressures in the meat industry. Abattoirs were frightened to change to a different animal waste collector for 'fear of the consequences'. High prices were charged or where competition existed, PDM would charge very low prices in order to starve out the competition. All testified to the financial grip that the rendering industry exerted on the meat industry.

As a result of these pressures from their suppliers and customers the abattoirs had an extraordinarily high purchase/sales ratio of 90 per cent leaving only 10 per cent of the sales revenues to cover the cost of labour, investment in the new plant and equipment necessary for safe and hygienic working conditions, and a margin of profit (table 2). Whereas all the other sectors in the beef chain were able to reduce their bought-in goods and services as a percentage of sales, the abattoirs were not (table 1). Furthermore, this was in the context of sales revenues which were rising more slowly than those of their customers. Profit margins were squeezed as profitability declined after the early 1980s. While operating cash flows were about four pence per pound of sales revenues, many abattoirs must have been reporting accounting losses (MLC 1994). This meant ruthless cost cutting if the abattoirs were to survive.

Although the slaughterhouses are typically small-scale operations, a few large abattoirs carry out most of the slaughtering, with five firms controlling 22 per cent of the market (MLC 1994). The larger firms are owned by or have close partnership arrangements with the giant food corporations. The abattoirs responded to the squeeze in a number of ways : by closures; an increase in throughputs as the species mix changed although this

TABLE 1 *Comparison of sales, costs and margins of the various sectors in the food chain 1992*

	-Food	Tesco (*)	Beef processing	Abattoirs	Rendering	Compounders
Sales (£m)	37,718	7,097	4,158	3,020	282	3,717
Sales growth since 1984	0.42	0.50	0.48	0.24	0.38	0.12
Purchases as % sales	0.70	0.81	0.76	0.89	0.63	0.83
Reduction in purchase/sales ratio since 1984	-0.07	-0.02	-0.03	0.01	-0.07	0.03
Gross margins	0.15	0.09	0.04	0.04	0.20	0.07
Growth in margins since 1984	0.13	0.01	0.09	-0.46	0.01	0.00
Ave wages (£)	11,795	12,250	10,750	11,564	15,421	18,719
Increase in wages since 1984	0.69		0.75	0.72	1.07	0.63

Sources: Business Monitor and Tesco's Accounts

Growth rates relate to 1984-1992

*Tesco's data relate to 1989-1992 not 1984-1992 and are reported on a different basis

TABLE 2 *Number of enterprises, sales and throughputs of the abattoirs*

	Number of enterprises	Sales (£m)	Throughput total cattle units (000s)	Average cattle units per year	Purchases/sales
1984	817	2,440	13,686	13,160	0.88
1985	755	2,517	13,606	13,313	0.89
1986	727	2,368	13,574	13,574	0.90
1987	692	2,310	13,702	13,962	0.89
1988	540	2,656	13,964	15,195	0.90
1989	514	2,869	13,231	15,529	0.90
1990	514	2,994	13,112	15,951	0.90
1991	526	2,927	13,620	17,483	0.89
1992	491	3,020	13,588	19,165	0.89
Change	-0.40	0.24	0.48	0.48	

Sources: Business Monitor, various years
Meat and Livestock Commission

declined slightly after 1992 (table 2); and a diversification into boning out and cutting plants for the preparation of retail packs. All this was accompanied by no extra workers (table 3). It was not unusual for the lines to be running so fast that workers had only two minutes per carcase (Swann 1995). Wages for a very difficult, dangerous and responsible job, are well below the national manufacturing average (*New Earnings Survey* 1997) and are among the lowest in the food industry as a whole. The abattoir owners turned to less experienced workers in an effort to reduce wages still further.

While these processes have been outlined in some detail for the abattoirs, meat manufacturers operated under similar financial pressures although they were able to expand their sales revenues as the demand for convenience food and 'added value' products increased (table 1). The significance of these findings for *e. coli* and food safety is that such conditions mean that it is inevitable that corners were and are cut. But this in turn

TABLE 3 *Wage and employment data for the abattoirs*

	Total number of employees (000s)	Average number per enterprise	Average wages (£)	Labour/value added	Surplus/sales
1984	15.8	19	6,740	0.35	0.08
1985	17.0	22	7,113	0.45	0.06
1986	16.0	22	7,460	0.49	0.05
1987	14.8	21	7,968	0.47	0.06
1988	16.4	30	8,452	0.51	0.05
1989	16.3	30	9,302	0.51	0.05
1990	17.1	33	9,951	0.55	0.05
1991	16.3	31	11,062	0.56	0.05
1992	16.5	34	11,564	0.59	0.04
Change	0.04	0.79	0.72	0.69	-0.46

Source: Business Monitor (various years)

signifies that meat hygiene will largely be determined by the extent of external regulation and monitoring. It is to these issues we now turn.

THE LEGISLATION AND POLICY MAKING

Prior to 1990, responsibility for food safety lay solely with local authorities' Environmental Health departments. This changed with the introduction of the Food Safety Act 1990, which inaugurated deregulation in the food industry in line with EU policy. That EU policy was deregulatory and at the expense of public health is evidenced by the following comment of the European Commission's Consumer Committee in its response to the Commission's Green Paper on the general principles of food law: 'the CC [Consumer Committee] thinks, that to date, EU food legislation has been too much concerned with the single market, and too little with nutrition, public health, animal welfare, ethical and environmental issues' (Consumer Committee 1997, III, 1). As market harmonization generally implies enforcing minimum standards achievable in states with traditionally weak regulatory regimes, market harmonization in effect signifies deregulation.

The Act was introduced at a time when food safety problems were much in the news, probably explaining why the word 'safety' made its way into the title of the Act for the first time. The Act itself was preceded by a White Paper which emphasized the importance of healthy eating and promised a swift response to any future problems (MAFF 1989). That is, food safety was conceived as being the result of individual, not producer, responsibility and *ex post facto* remedial measures by government rather than preventative measures. Both the White Paper, and the Act itself, produced few new initiatives in relation to food safety. Scott (1990) described the government's decision to create a Food Safety Directorate in 1989 and to provide an extra £30m for local enforcement in 1990 as little more than window-dressing.

Other areas of product safety legislation are based on the assumption that:

Safety policy must reflect a judgement on the degree to which the community is prepared for additional safety . . . [rejecting] suggestions which would involve major interference with the normal processes of manufacture and trade and so put up unduly the prices consumers have to pay for their products (Department of Trade and Industry 1984, para. 10).

In other words balancing the different interests of the two main social groups means accepting a certain level of risk. This leads to an emphasis on quantifying risk rather than trying to resolve or eliminate the problem in the first place. Furthermore the difficulty of defining socially acceptable levels of risk is well known as different interest groups have very different views about what constitutes an 'acceptable' risk (Ogus 1994; Cartwright 1995). In essence it means a trade-off between producer wealth and public health.

There are however a number of very specific problems in relation to the

Act. The Act is not so much concerned with food safety *per se* but with setting out a framework to provide the national structures to implement the EU Directives. It attempted to secure '... the needs of an innovative and competitive food industry by avoiding unnecessary burdens and controls' (Food Safety Act 1990). The Act itself is quite brief and, on the surface at least, bland. In essence it gives the Secretary of State for Agriculture, Fisheries and Food the power to designate who may conduct food safety inspections and testing. Two important and inter-related points follow from this. Firstly it gave new powers to the state, thereby centralizing the state at the expense of local government. But this is the same government department whose function it is to act as 'sponsor for the food industry'. Secondly, the secretary of state used the powers to delegate responsibility for food safety, not only to local authorities but also to the food corporations themselves, primarily the giant retailers, if they could demonstrate that they had shown 'due diligence' in the manufacture, transportation, storage and preparation of foodstuffs. Thus from a public policy perspective, the legislation shifted responsibility for food quality control away from the public Environmental Health departments and towards the retailers who were charged with managing and policing the food chain. As Marsden and Wrigley observed (1996), it conferred a political and statutory legitimacy on their new custodial role.

The Act left the detail of regulation undefined. In most areas therefore substantive regulation was provided by secondary legislation achieved through the issuing of regulations by the secretary of state pursuant to s.16 of the Act. But this is not unproblematic. As some have found, regulation making in the area of food policy is a closed process (Fallows 1988), with little opportunity for parliamentary scrutiny or public participation (Hayhurst and Wallington 1988). There are three government departments which have some interest in food safety issues and the food industry: the Department of Health (DoH), the Ministry of Agriculture, Fisheries and Food (MAFF) and the Department of Trade and Industry (DTI). Policy tends to be made by several 'expert' standing and *ad hoc* committees advising government. Furthermore many of these advisory groups are not as representative as they could be. For example, when the Food Safety Act was passed in 1990, the crucial Food Advisory Committee consisted of five doctors and academics who may have achieved prominence because of research funded by the food industry, six food industry scientists, two local authority officers and two others; there were no consumer representatives (Scott 1990). Such a committee would set the agenda for a wider consultation exercise conducted by the minister based upon its area of competence and interests. This means that highly organized sectoral interest groups such as the Food and Drink Federation are in a better position to influence the policy-making process than consumer protection groups such as the National Consumer Council and the Consumers Association. Furthermore, since policy making is now concentrated at the centre, it is easier for the

food industry to lobby government directly than when it was diffused at local authority level.

But not only is the policy-making process a closed and centralized process, it is also skewed in favour of the producers in other ways. By way of example let us consider the issue of temperature control since the *e. coli* bacteria will multiply above a certain temperature. The Simmonds Committee which carried out an investigation into *e. coli* noted that food needed to be stored at temperatures below 5 degrees to minimize risk (ACMSF 1995b). The Richmond Committee also paid attention to this issue and specifically recommended that domestic refrigerators be equipped with at least a section capable of reaching temperatures below 3 degrees and the provision of an external thermometer to monitor it (DoH 1990, 1991).

But the law permits cooked food to be stored in commercial premises at higher temperatures. This is because the hygiene regulations introduced in 1990 stipulated that food should be refrigerated at 5 degrees, two degrees above the desirable domestic level. Then in September 1995, the Conservative government, to simplify the regulations, raised the required temperature to 8 degrees (DoH 1995a, 1995b). Mr Roger Freeman, public service minister, claimed that this would save the industry £41 m in energy and storage costs every year and apologized for the £200 m that the requirement to store at 5 degrees had cost them thus far (*Financial Times* 26 January 96).

This decision was based upon compliance cost assessment procedures (CCA) initiated so that new legislation and regulations would only be introduced where it could be demonstrated that the costs were justified by gains to society (DTI 1992). The CCA documents relating to the change in temperature (DoH 1994) were based on calculations of the estimated cost savings of increasing temperatures from 5 degrees to 8 degrees: yet the DoH recognized that best practice, and indeed common practice, was to store at below 5 degrees and that the big retailers did not intend to change that practice. Furthermore, since manufacturers could give specific instructions below the guidelines which the industry would have to comply with, and many different items are stored in one cabinet, the extent to which the raising of temperatures was in practice feasible was not clear. But these factors meant that the savings would be considerably lower than those stated. It was also unclear on what evidence the decision to raise the temperatures was based given the recommendations of the government's own advisory committees. While the stated object of CCA was to balance the costs to producers with the gains to society, the latter were not quantified. In other words, as others (Boden and Froud 1996) had found, CCA was used as an apparently rational tool to counter regulatory growth and privilege producer interests at the expense of the public.

Aside from the ambiguities and contradictions within the Act in relation to balancing consumer and producer interests, there are also issues relating to the extent to which the legislation serves its primary stated purpose: to provide the framework for implementing the European Directives. Firstly,

s.21 of the Act provides a defence to a number of offences defined in other sections, principally s.8 which makes it an offence to be in possession of food which does not comply with food safety requirements (s.8(1)). Breach of food safety requirements refers to food rendered injurious to health, food unfit for human consumption, or which is so contaminated that it would not be reasonable to expect it to be used for human consumption (s.8(2)). The defence under s.21 is based on the provision contained in s.21(1) pursuant to which the defendant must show that 'He took all reasonable precautions and exercised all *due diligence* to avoid the commission of the offence by himself or by a person under his control'. This defence has been assumed to have a deregulatory effect since it seems that the defendant can use *due diligence* as a defence if he had an adequate compliance system in place (Dehousse 1989). In this situation even an enthusiastic enforcement system becomes no more than an audit of the degree to which the company complies with the documented system relating to, say, hygiene standards, rather than how hygienically the company performs its activities in practice – compliance testing rather than substantive testing to use the terminology of the statutory financial audit.

But in reality the defence is even more generous than this, at least in relation to those at the end of the food chain. S.21 specifies circumstances in which the defence is deemed to be applicable. This presumption is essentially available to retailers rather than producers or importers, where the retailer can satisfy the court that the offence was due either to the act or default of another who was not under the control of the defendant or to reliance on information supplied by such a person, and that the defendant exercised *due diligence* in carrying out checks or could reasonably rely on checks carried out by another (s.21(3)). The defendant must also show that he could not reasonably have known of the commission of the offence.

The effect of this defence is to push liability back up the production chain to the meat processors or abattoirs. All the retailer has to prove is that it was reasonable to rely on the safety and compliance systems of the producers. This is particularly straightforward for the multiple retailers, who, as has been demonstrated, have such a strong bargaining position *vis-à-vis* the meat processors and the abattoirs that they can seek contractual assurances in respect of safety issues. But it is much more difficult for the small independent retailers to satisfy the requirements of the defence since they do not have the commercial muscle to demand specific standards nor the wherewithal to carry out checks. Thus public policy reflects the needs of the food industry rather than consumers, the large corporations rather than the small, and the retailers rather than the producers.

That the *due diligence* concept is the cornerstone of the Food Safety Act is confirmed by the Interim Report commissioned by the government:

The framework for food legislation is the Food Safety Act 1990 which is generally acknowledged to be a good tool for ensuring food safety ...

A key feature of the Act is the due diligence defence which requires a person to have taken 'all reasonable precautions and exercised all due diligence' . . . In practical terms this means that food retailers have had to institute more extensive systems of checks on the foods that they sell (James 1997, p. 11) [emphasis added].

But the concept of due diligence defence is not contained in either the EC Food Control Directive or any other Directives dealing with specific sectors of the food industry. One commentator has questioned the wider issue raised by this defence in consumer protection legislation generally: 'Whether such a provision [due diligence] is compatible with the requirement that Directives are *effectively* implemented at national level is a moot point and one on which litigation would be valuable' (Cartwright 1995, p. 227) [emphasis added].

Several points should be made about the legislation and public policy. Given the commercial pressures on meat processors and abattoirs, the regulatory regime is strongly skewed in favour of the large multiple retailers at the expense of both their suppliers, the slaughterers and manufacturers, and their rivals, the small retailers. Secondly, this imbalance is in an area where the benefits are concentrated among the few and the costs are spread between many and upon which it is difficult to place a value, namely health. Thirdly, it means that the Act is deregulatory since the government is effectively delegating responsibility for the enforcement of regulation from the public to the private sector, or introducing private interest regulation (Christopherson 1993; Marsden and Wrigley 1996). Finally, it enables the giant retailers to pose as the guardians of consumer welfare, a not inconsiderable public relations advantage. Thus, taken together, there are numerous structural weaknesses in the legislation and policy-making areas which are likely to limit rather than promote food safety.

IMPLEMENTATION

Having considered the primary legislation, we now turn to problems that may arise in its implementation as a result of its design. Only a few examples are cited by way of illustration rather than an exhaustive list. These relate to the frequency of inspection and the nature of the training received by meat inspection staff.

The first problem relates to the EC Directive on the Official Control of Foodstuffs (1989) which stipulates that inspection of foodstuffs should be carried out 'regularly' and at all levels of the production chain (Art. 4). In addition, member states are required to provide the European Commission annual details of the previous year's programme including the criteria used in designing programmes, the number and type of inspections and the number and type of infringements established (Art 14(2)). This raises the question of how frequently inspections need to be carried out to constitute 'regular' inspection. Some commentators have suggested that at least once a year would be required (Scott 1990). But table 4 shows that many local

TABLE 4 *Inspections at slaughterhouses*

	1991	1992	1993	1994	1995
No. of slaughtering establishments	1,164	1,242	1,142	1,118	832
No. visited or inspected	1,122	1,046	908	815	551
% visited or inspected	96%	84%	80%	73%	66%
<i>Hygiene inspections</i>					
No. of inspections	6,745	4,531	3,011	2,586	826
Ratio of inspections to sites	5.8	3.7	2.6	2.3	1.0
No. of visits	4,026	2,968	2,594	2,335	932
Ratios of visits to sites	3.5	2.4	2.3	2.1	1.1
Total	10,771	7,499	5,605	4,921	1,758
<i>Food standards</i>					
Food standards inspection	1,176	586	392	284	236
Ratio of inspections to sites	1.0	0.5	0.3	0.3	0.3
Other visits	88	236	135	237	193
Total food standards	1,264	822	527	521	429
Total	12,035	8,321	6,132	5,442	2,187

Source: MAFF, various years

authority Environmental Health departments did not inspect all premises annually. Furthermore it was clear from the Audit Commission (1990a) that they simply did not have the physical, financial, informational and manpower resources to carry out their work. What is also interesting is that if such infrequent inspections do not comply with the UK's obligations then the Commission, through the reporting procedures from which these tables were derived, is also, or should be, aware of it.

The second problem area relates to the training of the meat inspectors. Annex III to Directive 91/497/EEC contains details of the professional qualifications required of 'auxiliaries' in abattoirs or meat plants; where auxiliaries are the subordinates of the Official Veterinarian Service (OVS). In the UK their functions would be fulfilled by Meat Hygiene Service (MHS) inspectors. Such inspectors must be able to prove that they have undertaken firstly, theoretical courses of at least 400 hours, covering animal anatomy, hygiene procedures, sampling, etc. and secondly, practical training, under the supervision of an official veterinarian, of at least 200 hours in the inspection of slaughtered animals, *post mortem* inspection, hygiene control, etc.

But the implementing UK regulations do not contain this requirement. While this is not a problem in itself, what may be a problem is if MHS operatives fulfilling the functions of auxiliaries are not trained to this standard. Some of the functions of auxiliaries include *ante mortem* health inspection of animals, *post mortem* health of slaughtered animals and the health marking of animals. Although auxiliaries are always required to work under the supervision of an Official Veterinarian (OV), given the pressure on the time on the OV, it is clear that a great deal of responsibility effectively devolves on to the meat inspectors. For example, the SVS Interim Audit of the Meat Hygiene Service Performance from June to December

1996 found that there were deficiencies in supervision by the OV's in 52 per cent of the plants visited (SVS 1997). The report recommended that levels of OVS supervision should be such as to ensure that proper *ante mortem* inspection was carried out, and that Hygiene Assessment System (HAS) training should be introduced to ensure that SVS and MHS Veterinary staff implemented a consistent and accurate HAS scoring system.

THE FOOD INSPECTION REGIME

While the design of the regulatory framework has been shown to be deficient, the evidence produced by the various enforcement agencies demonstrates the hygiene conditions within the meat industry and how the regulatory system works in practice.

(i) The Meat Hygiene Service

Despite an earlier and very thorough report on the microbiological safety of food that made numerous recommendations concerning the abattoirs (DoH 1990, 1991), the inspection of the slaughtering process is still unsatisfactory. The law requires that a designated official be on site while slaughtering takes place. Inspections include *ante mortem* checks on health, *post mortem* residue checks for antibiotics and hormones, visual checks of the carcass and inspection of the lymph glands via three incisions (MHS 1995). No on-site tests for bacteria, steroids, hormones or acidity are carried out as a matter of course even though these are routine procedures requiring very little equipment. A mere 45,000 samples a year are taken to veterinary laboratories for residue checks and other purposes (MAFF 1996). *E. coli* 0157 can be readily detected. Equipment exists which could give an immediate total bacterial count. But no tests are carried out because that would require additional funding for the MHS and additional charges to the meat operators.

The conditions of the buildings were such that more than one-third of the abattoirs still had not met the EU building regulations (Directive 64/433) designed to be in operation for the Single Market in 1992 by the end of 1995. Despite this the government did not immediately close them down as it said it would (*Financial Times* 19 February 1996). But failure to comply makes it difficult to maintain basic hygiene.

Prior to 1995, the inspection service was carried out by the numerous local authority Environmental Health departments with varying standards of rigour. In 1995 it was reorganized on a national basis as the Meat Hygiene Service (MHS), a quasi-independent executive agency responsible to the Ministry of Agriculture, Fisheries and Food (MAFF) – an example of the centralizing tendency of deregulation noted earlier. As an executive agency it operates on a commercial basis within the public sector, making a surplus or profit equal to a 6 per cent return on capital employed and charging the meat operators for its services. But the meat inspectors became subject to the Official Secrets Act, had fewer powers than before to insist

on satisfactory procedures, fewer staff and no equipment to test for bacteria and contaminated meat. There were 700 meat inspectors to cover 1,800 meat operators (MHS 1996a), yet the law requires that a meat inspector should be on site all the time while slaughtering takes place. By March 1997, this number had risen to about 1,100, largely because of the additional work required by the BSE crisis, to cover 1,600 operators (MHS 1997).

In 1995, after the reorganization of meat inspection into a national service, the MHS carried out a survey of conditions in the slaughterhouses. The original report (Swann 1995) revealed the disgraceful state of the abattoirs and drew attention to the fact that many of the problems were the result of the excessive line speeds and inadequate staffing levels. From the perspective of this study, one of the crucial findings relates to the fact that most of the abattoirs had no policy about the physical cleanliness of the livestock before slaughtering. This led to cross contamination. He noted that carcasses and offal were frequently washed down. He found that some of the dressing practices were poor, leading to contamination, and recommended plastic bagging. In the cutting rooms, one quarter of the rooms were maintained at above the minimum temperatures which could lead to bacteria multiplying. Meat was frequently stored on corridors, unprotected and with no temperature control. Other evidence supports his general findings. Peter Comrie, General Secretary of the Association of Meat Inspectors wrote to the MHS, on 19 January 1997: 'It appears from very many phone calls from members that far from improving, standards of hygiene are steadily decreasing, with particular reference to faecal contamination in beef.' The original draft 54-page report was reduced to a bland eleven page version (MHS 1996b). Even this was then suppressed by MAFF and only circulated among meat industry representatives and the National Farmers Union, the very producer interests most strongly criticized in the original report. Neither was it offered to Professor Pennington who was carrying out an investigation into the *e. coli* epidemic in Scotland at the time.

From the perspective of this study, the differences between the two reports centre on the omission of most of the original 81 recommendations, including the crucial one of a national policy on the admission of dirty animals to the abattoirs; and the dangers arising from faecal contamination for *e. coli* and Salmonella. The final version fails to give any idea of the scale of the problems to be found in the abattoirs. But even more importantly, most of the findings and recommendations of the original report did not differ significantly from Professor Richmond's earlier recommendations which had not been implemented (DoH 1990, 1991).

Thus the MHS, the government agency charged with enforcing standards in the abattoirs, and its antecedents, not only took little action to enforce standards but also covered up the disgraceful state of affairs in the abattoirs that had been known to exist for a long time and indeed was the primary justification for reorganizing the meat inspectorate. It thereby played a crucial part in permitting the spread of the disease.

(ii) Other Food Inspections

In addition to the meat inspections carried out at the time of slaughtering, the abattoirs are also inspected for hygiene, food standards, composition and labelling, etc. The first consistent national information relating to work carried out by the local authorities under the Food Safety Act 1990, its regulations and the Official Control of Foodstuffs Directive (89/397/EEC) was collected by MAFF in 1991. While it is not published or analysed by MAFF, the raw data is freely available on request. MAFF lists the number of inspections and visits made of premises within each segment of the food chain.

The data are not without definitional problems since the number of slaughterhouses is more than double that estimated by the MLC in compiling its statistics and includes the boning out and cutting room operations, but less than two-thirds the number of operators covered by the MHS. Despite this the figures are quite stark. Table 4 shows that there were different types of visits, all of which declined despite the fact that the average number of cattle units slaughtered per year was increasing (table 2). Furthermore the ever declining number of visits resulted in only 6 per cent of action of any kind against the abattoirs (table 5).

But there is however no direct, publicly available, evidence which shows the nature of the problems found in each link in the food chain. While samples of meat are taken to test for microbiological and other contamination, composition and labelling, there is no breakdown of the unsatisfactory samples by sector, for example retailer, manufacturer, catering establishment, etc. It is therefore unknown at what point along the food chain the contamination or fault was detected.

Table 6 shows the incidence of microbiological contamination in fresh meat and meat products in all the segments of the food chain, including the abattoirs, resulting from the formal samples. A number of points emerge from the table. The incidence of microbiological contamination in fresh meat rose from 4 per cent in 1991 to 13 per cent in 1995. Secondly

TABLE 5 *Action taken as a result of visits to slaughterhouses*

No. of sites which received:	1991	1992	1993	1994	1995
Prosecution	20	6	3	5	2
Convicted	13	5	2	5	2
Warning	562	503	339	339	146
Improvement notice	75	70	23	17	4
Licence removed	4	0	0	0	7
Prohibition order	0	0	0	3	1
Emergency prohibition order	1	1	2	1	0
Closure	4	9	0	0	0
Seizure of food	156	81	104	44	16
No. of enterprises against which actions were taken	835	675	473	414	178
Actions as % all visits	0.05	0.06	0.06	0.06	0.08

Source. MAFF, various years

TABLE 6 *Incidence of microbiological contamination and prosecutions: red meat*

Formal samples	1991	1992	1993	1994	1995
Fresh meat					
Total no. of samples	2,109	2,493	2,909	2,310	2,090
No. of microbiologically contaminated samples	97	194	274	233	274
% of microbiologically contaminated samples	0.04	0.09	0.10	0.10	0.13
No. of prosecutions	9	16	9	2	0
Prosecutions as % of microbiologically contaminated samples	0.10	0.09	0.03	0.01	0.0
Meat products/processed					
Total no. of samples	9,128	11,754	12,418	12,276	11,217
No. of microbiologically contaminated samples	731	892	1,104	1,132	1,219
% of microbiologically contaminated samples	0.09	0.08	0.09	0.09	0.11
No. of prosecutions	24	18	23	11	9
Prosecutions as % of microbiologically contaminated samples	0.03	0.02	0.02	0.01	0.01

Source: MAFF, various years

contamination in processed meat also rose, but not as sharply, from 9 per cent to 11 per cent, with the result that contamination in fresh meat was higher than in processed meat in 1995. Thirdly, in both cases prosecutions declined to a mere 1 per cent of unsatisfactory samples. Table 7 shows that the incidence of all unsatisfactory samples of fresh meat and meat products rose from 15 per cent to 34 per cent and 28 per cent to 35 per cent for fresh meat and meat products respectively while prosecutions declined. This means that about one-third of all unsatisfactory samples were microbiologically contaminated.

TABLE 7 *Incidence of all types of unsatisfactory samples and prosecutions: red meat*

Formal samples	1991	1992	1993	1994	1995
Fresh meat					
Total no. of samples	2,109	2,493	2,909	2,310	2,090
No. of all unsatisfactory samples	324	542	781	890	721
% Unsatisfactory samples	0.15	0.22	0.27	0.30	0.34
No. of prosecutions	36	54	24	19	14
Prosecutions as % of unsatisfactory samples	0.11	0.10	0.03	0.03	0.02
Meat products/processed					
Total no. of samples	9,128	11,754	12,418	12,276	11,217
No. of unsatisfactory samples	2,599	3,488	3,575	3,507	3,878
% unsatisfactory samples	0.28	0.30	0.29	0.29	0.35
No. of prosecutions	122	276	193	107	54
Prosecutions as % of unsatisfactory samples	0.05	0.08	0.05	0.03	0.01

Source: MAFF, various years

Table 8 shows that the percentage of all unsatisfactory food samples rose from 19 per cent in 1991 to 34 per cent in 1995 indicating the widespread nature of the problem of food safety. The percentage of both fresh and processed meat samples taken as a percentage of all food samples declined from 24 per cent to 19 per cent over the period. Together with poultry samples they accounted for about half of all the official samples taken. But what was interesting was that relative to the proportion of meat samples, there were fewer microbiological and other (chemical) contaminated problems and more unsatisfactory samples in respect of composition and labelling. Thus the problems of microbiological contamination is by no means restricted to red meat. But prosecutions for meat hygiene offences were more frequent indicating perhaps the severity of the problems found. Since food inspections were fewer, the increase in food safety related problems was a product of declining food hygiene.

This general picture is confirmed by a number of official reports (Audit Commission 1990b; DoH 1990; 1991; ACMSF 1995a). The Richmond committee in particular voiced its concerns about prevailing standards in food premises (DoH 1990, 1991). But perhaps the most damning evidence on the conditions in food premises in Britain is provided by an Audit Commission study (1990b) of over 5,000 premises inspected by Environmental Health Officers (EHOs). It found that almost 1 in 8 food premises in England and Wales presented a significant or imminent health risk and one-third of these should be prosecuted or closed down. Nearly half of the food premises had not been inspected within the last year, a quarter of these had not been inspected within the last three years and a staggering 5 per cent had *never* been visited.

Another Audit Commission report drew attention to the difficulties faced by Environmental Health Departments, which carry out the inspections, in

TABLE 8 *Unsatisfactory meat samples as % total food samples*

Formal samples	1991	1992	1993	1994	1995
All food samples					
Total no. of samples	56,976	60,399	67,959	65,162	63,738
No. of unsatisfactory samples	10,649	16,533	20,204	21,254	21,642
% unsatisfactory samples	18.6	27.3	29.7	32.5	33.9
No. of prosecutions	649	1,056	721	439	323
Prosecutions as % of unsatisfactory samples	0.06	0.06	0.04	0.02	0.01
Meat and meat products samples as percentage of all food samples					
% Total no. of samples	0.24	0.22	0.22	0.22	0.19
% Unsatisfactory samples	0.27	0.24	0.21	0.20	0.18
% Unsatisfactory microbiological samples	0.16	0.16	0.21	0.20	0.17
% Unsatisfactory other contamination	0.12	0.12	0.13	0.13	0.09
% Unsatisfactory composition	0.43	0.34	0.33	0.32	0.23
% Unsatisfactory labelling	0.50	0.43	0.33	0.31	0.30
% All prosecutions	0.24	0.31	0.39	0.29	0.33

Source: MAFF, various years

the face of funding shortages and the changing task resulting from the rapid changes in technology and dangers posed to public health. The report noted the lack of information systems, premises records and risk assessment systems, and varying levels of staff, enforcement and prosecution rates (Audit Commission 1991). This general picture is confirmed by table 9 which shows no increase in senior qualified staff and a decline in the number of meat inspectors. In part at least the low enforcement and prosecution rates were part of a wider policy initiative introduced by government to lessen the 'burden of regulation' on an 'over-regulated sector of industry' (North 1994). As the professional body to which many EHOs belong stated, this reflected a more 'flexible approach' and the end of 'over zealous enforcement' by the enforcement agencies (CIEH 1992).

To summarize: the evidence shows poor hygiene conditions, declining levels of food inspections at the abattoirs, rising levels of contamination in both meat and other food products, declining prosecutions, fewer resources for the enforcement agencies, and no publicly available annual report and analysis of the food safety regime. The lack of reported and direct evidence linking visits and inspections to problems encountered means that it is impossible for the public to monitor accurately the incidence of the problems, demand corrective action or even make an effective and informed input into public policy. It is only one example of the secrecy which shrouds the operation of the food industry. In other words, none of the basic mechanisms for the effective implementation, enforcement and accountability of the food safety regime were in place. Under such circumstances it is hardly surprising that food safety problems escalated.

TABLE 9 *Environmental health staffing (England and Wales)*

	1989-90	1993-94	1994-95	1995-96
EHOs	5,130	5,184	5,333	5,279
Scientific officers	520	636	469	562
Technical assistants	2,020	3,650	3,752	3,589
Authorized meat inspectors and veterinarians	1,070	821	741	Transferred to MHS
Student EHOs	630	616	521	436
Admin and clerical	2,760	2,900	2,710	2,692
Others	1,870	1,802	1,786	1,771
Total	14,000	15,610	15,312	14,329
% staff time spent on meat inspections	n/a	5.70%	4.67%	Transferred to MHS
% Staff time spent on food inspections	24%*	15.75%	15.70%	15.56%

Sources: Audit Commission

CIPFA, various years

*includes meat inspection

n/a not available

CONCLUSION

Several points follow from this analysis. The occurrence of the *e. coli* outbreak, and indeed other food safety problems, was not an accident in the sense that it was without cause or unexpected. It was a disaster waiting to happen as the Audit Commission had warned in its report on the introduction of the Food Safety Act (1990a). The structure and concentration of the food industry was such that food hygiene was largely dependent on external regulation and enforcement. Changes in social patterns meant that more people were exposed to risk of food poisoning: more snacks and meals were consumed outside the home; more pre-cooked and frozen foods were purchased; more food was (inadequately) cooked or heated in microwave ovens; and relatively few people were aware of the appropriate hygiene regime for the storage and preparation of such food in the home. Thus even if food was just as safe as before, changing social patterns meant that more people would succumb to food poisoning and food safety regulation would therefore need to be taken more seriously. But instead the opposite happened. The deficiencies in the conception, design and implementation of the Food Safety Act, coupled with the financial pressures in the food industry, resulted in a regulatory regime which permitted food safety problems to grow. The regime, part of a wider change in regulation across the economy, played a part in the escalating problems of food safety. The new regime may have cut costs to the industry and enabled it to compete in the international markets, in the short term at least, but it has been at the cost of public health.

It was surely not unreasonable to expect the James report and the White Paper to have highlighted these and other causal factors in the chain of contamination and make recommendations to eliminate or minimize their occurrence. But most of the recommendations focus on structure, organization and responsibilities, without addressing the processes and mechanisms necessary for controlling producer interests. Indeed the James report opens by stating that the objective is to increase consumer confidence at home and abroad and that improving food safety will take somewhat longer (James 1997).

The FSA will be an advisory agency, responsible to the Department of Health, not MAFF. It will report to Parliament and be free to make its advice to ministers public. It will be responsible for enforcing hygiene standards from plough to plate. All food premises will be inspected. Butchers will need a licence which will be taken away if standards are not met. One of its major tasks will be to provide basic education and advice for the public on food safety.

Valuable though these proposals are, all the premises, mechanisms and processes of the old system remain: due diligence, compliance cost assessment and risk assessment, to name but a few, despite their contribution to the problems. The FSA will have only an advisory role in the use of antibiotics and pesticides in intensive farming – and only *after* the effects on

human health have been reported will the FSA have the power to intervene on these issues. In other words it will not operate on the precautionary principle. It will have representation on the committee monitoring animal feedingstuffs which will still be controlled by MAFF. The rendering industry is to be left under the aegis of MAFF. The MHS moves from MAFF to the FSA but remains an executive agency which must operate as a profit-making entity in the public sector, dependent on its income from charges to the abattoirs. There is still the emphasis on the avoidance of 'over-regulation'. There are no extra resources for research or enforcement which was always the real issue. There is no commitment to implement recommendations from previous reports, nor indeed any recognition that previous reports have not been implemented.

There has been little public discussion on the FSA which has largely been welcomed. Such debate as there has been has focused on who should pay for the FSA, obscuring the basic point that the Agency's objective function is to protect the food industry's interests. The farmers and manufacturers succeeded in persuading ministers that any charge would damage their international competitiveness. Instead, therefore, a modest levy will fall on food retailers. The White Paper's first proposals cover the role of the Agency in relation to international bodies. The FSA will act as 'technical advisors' in EU and other international negotiations. Even more importantly it will represent the UK on the Codex Alimentarius Commission. The Codex, a secretive committee, draws up the international food safety standards that form the basis of the World Trade Organization's rules on food trade. As the White paper explained, 'These standards are therefore very important for maintaining consumer protection in relation to imported products' (MAFF 1998). In other words, British corporations had become so discredited that they needed a new Agency, untarnished by past scandals, to defend their interests on the all important international committees that divide up world trade under the legal cover of food safety. This is the real significance of the Agency. Thus the essential producer interests and political relationships which lie at the heart of the food safety problems remain. It is therefore difficult to see how the FSA removes the conflict of interest which places private wealth before public health.

Food safety problems, and more recently, genetically modified foods, have increasingly come to the fore in international debates with the potential to disrupt international trade, production and economic life. While the case has focused on experiences in Britain, that food safety should have become such a widespread problem suggests that the underlying causes, issues and solutions are not confined to Britain but have an international significance. They are bound up with the growth of giant food corporations whose interests predominate in public policy formation, not just in Britain but across the globe in many different ways. This case study, by focusing on the chain of contamination in its wider social, economic and political context, has the potential to contribute to the debate in a more informed way.

REFERENCES

- ACMSF (Advisory Committee on the Microbiological Safety of Food) 1995a. *Annual Report 1994*. London HMSO
- . 1995b. *Report on verocytotoxin producing escherichia coli*. London: HMSO
- Audit Commission 1990a. *Safer food: local authorities and the Food Safety Act 1990*. London: HMSO.
- . 1990b. *Environmental health survey of food premises*. London HMSO.
- . 1991. *Towards a healthier environment: managing environmental health services*. London. HMSO
- Boden, R and J Froud 1996. 'Obeying the rules accounting for regulatory compliance costs in the UK', *Accounting, Organizations and Society* 21, 6, 529–47.
- Business Monitor. (various years). *Census of production reports*. Central Statistical Office. London: HMSO.
- Cartwright, P 1995. 'Product safety and consumer protection', *Modern Law Review* 58, 2, 222–30.
- CIEH (Chartered Institute of Environmental Health). 1992. *Annual Report 1991–92*. London CIEH
- CIPFA (Chartered Institute of Public Finance Accountants). (various years). *Environmental health statistics*. London. CIPFA.
- Christopherson, S. 1993. 'Market rules and territorial outcomes: the case of the US', *International Journal of Urban and Regional research* 17, 274–88.
- Consumer Committee (EC). 1997. *The Consumer Committee's Comments on the Commission's Green Paper on the General Principles of Food Law in the European Union*, COM (97) 176 final, (<http://europa.eu.int/en/comm/dg24/foodlaw.html>).
- Dehousse, R 1989. '1992 and beyond: the institutional dimension of the internal market programme', *Legal issues in European integration*, 1, 109–18.
- DoH (Department of Health). 1990, 1991. *The microbiological safety of food*. Reports of the Committee of Inquiry chaired by Sir Mark Richmond. Parts I and II. London. HMSO
- . 1994. *UK food temperature controls. chill controls and hot holding*. London. Department of Health.
- . 1995a. *A guide to the general temperature control regulations*. London. Department of Health.
- . 1995b. *Guidance on the food safety (temperature control) regulations*. London: Department of Health.
- DTI (Department of Trade and Industry) 1984. *The safety of goods*. Cm 9302. London. HMSO
- . 1992. *Checking the cost to business. A guide to compliance cost assessment*. London HMSO
- Fallows, S.J. 1988. *Food legislative system of the UK*. London: Butterworths
- Hancher, L. and M. Moran. 1989. 'Organizing Regulatory Space' in L. Hancher and M. Moran (eds.), *Capitalism, culture and economic regulation*. Oxford: Clarendon Press
- Harrison, R 1991. 'The future for rendering' *The Meat Hygienist*. Journal of the Association of Meat Inspectors' Trust 72 (Dec.).
- Hayhurst, W.L. and P. Wallington. 1988. 'The parliamentary scrutiny of delegated legislation', *Public Law*, 547.
- James, W.P.T 1997. *Food Standards Agency report: an interim proposal*. London: Ministry of Agriculture, Fisheries and Food.
- . 1998. 'The role of a food standards agency in the UK', *Eurohealth* 4, 2 (spring).
- Lammung, G.E (Chairman) 1992. *Report on the Expert Group on Animal Feedingsuffs* (to the government). London HMSO.
- Marden, P. 1992. 'Real regulation reconsidered', *Environment and Planning A* 24, 751–67.
- Marsden T. and N. Wrigley 1996. 'Retailing, the food system and the regulatory state' in N. Wrigley and M. Lowe (eds.), *Retailing, consumption and capital. towards the new retail geography*. Essex, UK: Longman Group Ltd.
- MLC (Meat and Livestock Commission). 1994. *The Abattoir Industry in Great Britain 1994 Edition*. Report. Milton Keynes, UK: Meat and Livestock Commission.
- . (various dates). *The slaughtering industry in Great Britain*. Annual Reports, Milton Keynes, UK Meat and Livestock Commission.
- MHS (Meat Hygiene Service) 1995. *MHS operations manual* and various supplementary information notes. York MHS.
- . 1996a. *1995–96 annual report and accounts*. York MHS.
- . 1996b. *Review of the HAT audit of licensed slaughterhouses in Great Britain 1995*. Report. York Meat Hygiene Service.

- 1997 1996–97 *annual report and accounts*. York: MHS.
- MAFF (Ministry of Agriculture, Fisheries and Food) 1989 *Food safety: protecting the consumer*. Cm 732. London: HMSO.
- (various years). *Official control of foodstuffs. inspection statistics*. London: MAFF.
- 1996 (May). *Bovine spongiform encephalopathy in Great Britain: a progress report*. London: MAFF.
- 1998. *The Food Standards Agency. a force for change*. Cm 3830. London: The Stationery Office.
- MMC (Monopolies and Mergers Commission). 1985 (April) *Supply of animal waste in Great Britain*. Report. Cmnd 9470. London: HMSO.
- 1991 (Aug) *Prosper de Mulder and Croda International: a report on the proposed takeover*. Report. Cmnd 1611. London: HMSO.
- 1993 (Sept) *Supply of animal waste in Great Britain*. Report. Cmnd 2340. London: HMSO.
- New Earnings Survey*. 1997. London: HMSO.
- Newton, K. and T.J. Karan. 1985. *The politics of local expenditure*. Basingstoke, UK: Macmillan.
- North, R. 1994 'The prevention of food poisoning: a strategy for deregulation', *British Food Journal* 96, 1.
- Ogus, A.I. 1994 *Regulation – legal form and economic theory*. Oxford: Clarendon Press.
- The Pennington Group. 1997 *Report on the circumstances leading to the 1996 outbreak of infection with e coli 0157 in Central Scotland: the implications for food safety and the lessons to be learned*. Edinburgh: The Stationery Office.
- PHLS (Public Health Laboratory Service). 1999 (Jan.). *Vero cytotoxin-producing escherichia coli 0157 fact sheet*. London: PHLS.
- Scott, C. 1990 'Continuity and change in British food law', *Modern Law Review* 53, 6, 785–801.
- Shaoul, J.E. 1996. *BSE: for services rendered? The drive for profits in the beef industry*. Public Interest Report. Manchester: University of Manchester.
- SVS (State Veterinary Service). 1997. *Interim audit of meat hygiene service*. London: The Stationery Office.
- Swann, W.J. 1995 (Dec) *The HAT final report: red meat*. Draft report. York: Meat Hygiene Service.
- Teeple, G. 1995. *Globalisation and the decline of social reform*. Toronto: Garamond Press.
- Tolchin, S.J. and M. Tolchin. 1983 *Dismantling America: the rush to deregulate*. Boston: Houghton Mifflin.

Date received 27 November 1998. Date accepted 24 April 1999.

'ACCOUNTABILITY': AN EVER-EXPANDING CONCEPT?

RICHARD MULGAN

The scope and meaning of 'accountability' has been extended in a number of directions well beyond its core sense of being called to account for one's actions. It has been applied to internal aspects of official behaviour, beyond the external focus implied by being called to account; to institutions that control official behaviour other than through calling officials to account; to means of making officials responsive to public wishes other than through calling them to account; and to democratic dialogue between citizens where no one is being called to account. In each case the extension is readily intelligible because it is into an area of activity closely relevant to the practice of core accountability. However, in each case the extension of meaning may be challenged as weakening the importance of external scrutiny.

That 'accountability' is a complex and chameleon-like term is now a commonplace of the public administration literature. A word which a few decades or so ago was used only rarely and with relatively restricted meaning (and which, interestingly, has no obvious equivalent in other European languages (Dubnick 1998, pp. 69–70)) now crops up everywhere performing all manner of analytical and rhetorical tasks and carrying most of the major burdens of democratic 'governance' (itself another conceptual newcomer). In the process, the concept of 'accountability' has lost some of its former straightforwardness and has come to require constant clarification and increasingly complex categorization (Day and Klein 1987; Sinclair 1995).

One sense of 'accountability', on which all are agreed, is that associated with the process of being called 'to account' to some authority for one's actions (Jones 1992, p. 73). Indeed, this sense may fairly be designated the original or core sense of 'accountability' because it is the sense with the longest pedigree in the relevant literature and in the understanding of practitioners (Finer 1941, p. 338; Thynne and Goldring 1987, p. 8; Caiden 1988, p. 25). Such accountability has a number of features: it is *external*, in that the account is given to some other person or body outside the person or body being held accountable; it involves *social interaction and exchange*, in that one side, that calling for the account, seeks answers and rectification while the other side, that being held accountable, responds and accepts sanctions; it implies *rights of authority*, in that those calling for an account are asserting rights of superior authority over those who are accountable, including the rights to demand answers and to impose sanctions. (The

Richard Mulgan lectures in the Public Policy Program at Australian National University, Canberra

inclusion of sanctions in the core of accountability is contestable on the grounds that it may appear to go beyond the notion of 'giving an account'. On the other hand, '*calling to account*', as commonly understood, appears incomplete without a process of rectification.)

In the context of a democratic state, the key accountability relationships in this core sense are those between the citizens and the holders of public office and, within the ranks of office holders, between elected politicians and bureaucrats. Core accountability has thus commonly covered issues such as how voters can make elected representatives answer for their policies and accept electoral retribution, how legislators can scrutinize the actions of public servants and make them answerable for their mistakes, and how members of the public can seek redress from government agencies and officials. It leads to questions about different channels of accountability and their relative merits, about the balance between accountability and efficiency, and about distinctions between political and managerial accountability.

But more recently, in academic usage at least, 'accountability' has increasingly been extended beyond these central concerns and into areas where the various features of core 'accountability' no longer apply. For instance, 'accountability' now commonly refers to the sense of individual responsibility and concern for the public interest expected from public servants ('professional' and 'personal' accountability), an 'internal' sense which goes beyond the core external focus of the term. Secondly, 'accountability' is also said to be a feature of the various institutional checks and balances by which democracies seek to control the actions of the governments (accountability as 'control') even when there is no interaction or exchange between governments and the institutions that control them. Thirdly, 'accountability' is linked with the extent to which governments pursue the wishes or needs of their citizens (accountability as 'responsiveness') regardless of whether they are induced to do so through processes of authoritative exchange and control. Fourthly, 'accountability' is applied to the public discussion between citizens on which democracies depend (accountability as 'dialogue'), even when there is no suggestion of any authority or subordination between the parties involved in the accountability relationship.

Linguistic development is not necessarily unhealthy and unbending resistance to new meanings is generally futile. The main purpose of this article is to analyse the relentless ramification of 'accountability', rather than to deplore it. Each of the extensions in meaning will be discussed in turn, with an indication of how it has grown out of the core meaning and can still be distinguished from that meaning. However, no analysis of accountability can pretend to be wholly without ulterior purpose. While many of the new analyses of accountability have added significantly to the understanding of public institutions (Day and Klein 1987; Romzek and Dubnick 1987), others, it will be suggested, by extending the concept of 'accountability' beyond its accustomed contexts, may involve a degree of unnecess-

ary academic complication. They may also imply a questionable shift of focus away from the central importance of external scrutiny. The original core of accountability, signifying external scrutiny, justification, sanctions and control, is sufficiently distinct and important to warrant separate identification.

'ACCOUNTABILITY' AND 'RESPONSIBILITY'

One indication of how far the concept of 'accountability' has come to dominate its academic territory is provided by the changing terms used to discuss two seminal debates in public administration. In the United States, academic analysis of the relationships between bureaucrats and the public is grounded in the classic exchanges between Carl Friedrich and Herman Finer over how far public servants should rely on their professionalism and sense of personal morality and how far they should simply be following instructions from their political masters (Friedrich 1940; Finer 1941). This debate was originally couched in terms of different senses of 'responsibility', with Friedrich emphasizing the inward responsibility of public servants to their professional standards and values and Finer reasserting the primacy of responsibility to external political direction. Finer, the advocate of external control, used 'accountability' to define his preferred sense of 'responsibility': 'First, responsibility may mean that X is accountable for Y to Z. Second, responsibility may mean an inward sense of moral obligation' (Finer 1941, p. 338). But, significantly, the argument is expressed as a preference for a particular type of 'responsibility' rather than a type of 'accountability'. Half a century later, however, this same debate is now naturally described as an argument over the relative merits of different types of 'accountability', external or internal (Harmon and Mayer 1986, pp. 47–49; Romzek and Dubnick 1987, p. 229, Dubnick 1998, p. 73; March and Olsen 1995, pp. 165–7; Peters 1995, p. 318). Thus, 'accountability' has been extended beyond its core meaning of external scrutiny, as used by Finer, and now also includes Friedrich's inner responsibility of the individual to his or her conscience or moral values.

On the other side of the Atlantic and in Westminster jurisdictions generally, the traditional starting point for discussing such issues has been the role of ministers in answering to Parliament for the actions of their departments. Here the classic formulation has been in terms of 'ministerial responsibility'. The problems that arise from attempting to hold ministers solely responsible for all departmental behaviour have traditionally been explored by analysing the different senses of responsibility (Hart 1968; Thynne and Goldring 1987, ch. 1). 'Accountability' might be brought in, as it was by Finer, to identify one of the senses or aspects of responsibility (Marshall and Moodie 1959, p. 68) but accountability was certainly not expected to cover the whole range of activities and processes covered by responsibility. Today, however, the same issues are most naturally canvassed in terms of different approaches to the problem of government

'accountability' (Marshall 1991; O'Toole and Chapman 1995; Pyper 1996; Rhodes 1997, pp. 101–3). 'Ministerial responsibility' still remains in currency but more as a technical, constitutional term to be explained in terms of the history of Westminster conventions rather than as a readily understandable concept.

The expansion of 'accountability' has thus been accompanied by a corresponding contraction in 'responsibility'. Sometimes the two terms are used interchangeably, but 'responsibility' is now increasingly confined to its more accustomed ethical territory of personal liability, freedom of action and discretion, that is to the more internal aspects of official activity (Harmon and Mayer 1986, pp. 48–50; Uhr 1993). Whereas formerly 'accountability' was usually seen as a part of 'responsibility' (the external aspect), the position is now often reversed with 'responsibility' taken to be a part of 'accountability' (the internal aspect).

A more promising development in the territorial jousting between 'accountability' and 'responsibility' is the emergence of a half-way position in which the field is divided between the two. 'Accountability' can then denote one set of responsibility/accountability issues, those concerned with the 'external' functions of scrutiny, such as calling to account, requiring justifications and imposing sanctions (i.e. the original, core senses of accountability), while 'responsibility' is left to cover the 'internal' functions of personal culpability, morality and professional ethics (Uhr 1993; Bovens 1998). Such a distinction allows 'accountability' to stand on its own, no longer under the wing of 'responsibility', and thus recognizes its growing salience, while still confining it to its original, and still most widely accepted, sense.

'INTERNAL' ACCOUNTABILITY

The redescription of the Friedrich/Finer debate, whereby 'accountability' now covers the area of administrative discretion championed by Friedrich against an undue concentration on external scrutiny, indicates the most significant extension of 'accountability'. This area of supposed 'internal' accountability is variously described, in whole or in part, as 'professional' (Romzek and Dubnick 1987, p. 228; Sinclair 1995, p. 223), 'personal' (Sinclair 1995, pp. 223, 230–1), 'inward' (Corbett 1996, pp. 201–2) or 'subjective' (Kernaghan and Siegel 1987, p. 298; Gagne 1996).

We may begin with 'professional accountability' which is itself a term of some ambiguity and straddles the line between external and internal aspects of accountability, thus helping to facilitate the extension of 'accountability' to a more internal focus. In the first place, the accountability of professionals can refer straightforwardly to a species of external scrutiny specifically designed to match the complexities of professional knowledge. Romzek and Dubnick, for instance, in their influential typology of accountability systems (Romzek and Dubnick 1987), describe 'professional accountability' as a system marked by deference to expertise where reliance must

be placed on the technical knowledge of experts and where close control from outside the organization is inappropriate. However, though broad scope must be granted to the discretion of professionals, the accountability of the professionals still lies in their ultimate answerability to their administrative and political superiors.

... public officials must rely on skilled and expert employees to provide appropriate solutions. Those employees expect to be held fully accountable for their actions and insist that agency leaders trust them to do the best job possible. If they fail to meet job performance expectations, it is assumed that they can be reprimanded or fired (Romzek and Dubnick 1987, p. 229).

The authors identify accountability with the 'management of expectations' by public servants and note that these expectations can be generated both internally and externally (p. 228). But even where the source of accountability expectations are internal, they are internal to the organization not to the individual. From the point of view of the particular officials, all accountability involves control from someone else and in that sense is external. This deference to superiors is a familiar feature of accountability within bureaucracies and other hierarchical organizations (sometimes referred to as 'managerial' accountability (Day and Klein 1987, p. 26)) and clearly falls within the purview of core accountability (Stewart 1986, pp. 126–31). Moreover, in spite of their emphasis on the point of view of public servants, Romzek and Dubnick leave no doubt that the driving force behind all systems of accountability, including professional accountability, is the democratic imperative for government organizations to respond to demands from politicians and the wider public (Romzek and Dubnick 1994, pp. 263, 269).

'Professional' accountability is also evident in systems of professional peer review. Because professionals, virtually by definition, lay claim to expert knowledge beyond the full understanding of non-professionals, their actions can be fully assessed only by fellow-professionals (DeLeon 1998, pp. 548–51). External scrutiny, if it is to be reliable and effective, requires the establishment of review boards or disciplinary committees containing members of the profession. Standard examples of such peer review mechanisms are the disciplinary boards operated by the medical and legal professions.

The accountability of professionals to their peers raises potential difficulties in the context of the broader democratic accountability of publicly employed officials to the public. Particularly in relation to highly specialized and independent professions, such as doctors, there may be conflict between the practitioners' accountability to professional bodies and their accountability to the 'lay' representatives of the public they are supposed to serve (Day and Klein 1987, ch. 3). But such difficulties stem from the need to satisfy multiple channels of external accountability, a familiar prob-

lem for many public officials. For instance, similar conflicts occur for bureaucrats dealing with legislative committees where there may be a clash between the officials' duty to their superiors in the executive and their accountability to the legislature. This type of professional accountability, however, need not involve any extension of the core meaning of accountability. It still requires external accountability to superiors.

Professional accountability, however, does sometimes extend beyond purely external scrutiny to cover adherence to professional norms or 'standards'. A fully qualified professional is someone who has acquired the techniques and values of the particular profession and is required to exercise professional judgment, typically in an unsupervised context (Friedrich 1940; Romzek and Dubnick 1987, p. 229). Such independent action in accordance with professional standards is now being described in the academic literature as involving the exercise of accountability (Sinclair 1995, p. 223). In one sense, such a usage does not go beyond the core sense of external scrutiny. The concept of 'account-ability' includes an implication of potentiality, literally an 'ability' to be called to 'account'. It may thus refer to the potential for external scrutiny under which most expert professionals work, however independent they may be in their day-to-day decisions. Every medical doctor, for instance, knows that any action he or she takes (or does not take) could potentially become the object of disciplinary investigation or a legal action. In this respect, professionals are literally *accountable* in their professional actions because they are *able* to be called to account later for any of their actions. But, in this case, the accountability they potentially face in all their actions is still conceived of as an external accountability, in the core sense.

However, professional accountability for independent discretionary acts is also being used to refer to the purely personal exercise of judgment and adherence to internalized standards, regardless of any external scrutiny or sanction, actual or potential. In this sense, accountability is being clearly identified with the sense of personal responsibility which covers the conscientious performance of duties, sometimes referred to as 'role-responsibility' (Hart 1968, pp. 212-4; Lucas 1993, pp. 193-4; Harmon and Mayer 1986, p. 49). Here, the sole source of obligation is internal, in the professional's personally endorsed values. The sanction, if any, is also internal, in the individual's own sense of professional guilt or malfeasance. In this respect, internalized professional accountability shades into what is known as 'personal' (Sinclair 1995, p. 223) or 'inward' accountability (Corbett 1996, pp. 201-2) where the basis for action is not so much the individual's professionalism as his or her own personal sense of morality involving general moral values such as honesty, integrity and fairness. Indeed, personal and professional values are hard to separate, as is clearly evident from the way in which codes of professional ethics typically refer to general values such as honesty, fairness and justice, as well as to standards specific to the profession in question. If there is any 'other' to whom one is accountable for

maintaining such personal and professional standards it is a hypothesized inner self or personal conscience (Corbett 1996, p. 201).

Day and Klein note a similar internalization of accountability in their study of lay members of the public placed in supervisory roles over expert providers of public services in health, police, water, education and social work. Their main focus was on how the non-expert board members could hold expert professionals to account. However, as well as being asked about the accountability of professionals under their supervision, board members were also asked about their own accountability, to whom, if anyone, they themselves were accountable (Day and Klein 1987, pp. 100–01, 128–30, 152–3, 183–5, 217–19). Because most of those interviewed were appointed rather than elected in their own right to represent the public, this question posed a potential problem which some respondents obviously had difficulty in answering. Many opted for accountability to the general public while others mentioned accountability to the authority that had appointed them (and a few who had been appointed by partisan local authorities preferred accountability to a political party (p. 184)). A substantial number accepted that there was no clear accountability at all. In the face of this impasse, some followed the suggestion that they were ultimately accountable to themselves or their consciences (pp. 101, 218). As the authors summarize their findings:

Lastly, many members tended to define accountability in terms of their responsibility, either to the community being served or to their own sense of what was sensible or proper: they internalised accountability, as it were, as a general duty to pursue the public good according to their own criteria of what was right (p. 229).

Such extension of 'accountability' from external reckoning to internal agonizing involves an easy transition. External accountability seeks to investigate and assess actions taken (or not taken) by agents or subordinates and to impose sanctions. The extent to which individual agents or subordinates can fairly be held accountable for particular actions, particularly when it comes to the matter of sanctions, depends on whether they can be said to have been genuinely involved in deciding those actions. Thus, external accountability and blame inevitably raise issues of individual choice and personal responsibility (Bovens 1998). Individual choice and responsibility, in turn, lead to questions of professional morality and personal values. After all, the term 'responsibility' itself has travelled a similar route from the external to the internal, from the capacity to 'respond' or answer to someone else, to the capacity to act freely and 'responsibly'. Indeed, in the case of 'responsibility', the transition is so firmly established that, as already noted, the secondary, internal sense has now come to predominate over the original, external sense. If 'responsibility' can make this change, why should not 'accountability' follow suit, at least part of the way?

On the other hand, the internalization of accountability, though under-

standable, is not logically inevitable. Granted the complexities involved in separating the internal from the external aspects of human action, a sufficiently robust distinction can still be maintained between having to account to someone else for one's actions and not having to do so. It makes sense to say that particular public servants are accountable to certain other people and bodies through certain mechanisms for the performance of certain tasks. These processes of external accountability can be said to have a particular impact on the decisions and behaviour of public servants. However, a full explanation of why public servants decide and behave as they do will also require reference to other 'internal' factors such as their personal and professional values which, as Friedrich recognized, can be identified separately from the requirements of external accountability. The growing use of 'accountability' and 'responsibility' to refer to the external and internal aspects of behaviour respectively helps to mark this important distinction.

The internalization of 'accountability', though finding currency among academics, does not appear to be widely accepted among actual practitioners themselves. For instance, in her research into the views on accountability of senior public servants in the Australian state of Victoria, Sinclair endorses a wide-ranging view of accountability. She includes 'professional' and 'personal' accountability as forms of accountability (along with 'political', 'public' and 'managerial') and quotes Day and Klein as evidence for an internalized sense of accountability. However, it is notable that her discussion of these inner forms of accountability in open-ended conversations with her respondents (Sinclair 1995, pp. 229–31) is conducted in terms of concepts other than accountability. 'Professional' accountability is largely a matter of probity and being business-like while 'personal' accountability raises issues of honesty and the public interest. Whereas the external forms of accountability ('political', 'public' and 'managerial') were volunteered by the respondents themselves in answer to questions about their accountability, the two internal forms are the researcher's own labels. In this respect, her supposed 'chameleon' of accountability is, at least in part, an invented animal.

Though Day and Klein themselves identify an internalized sense of accountability, their reported research shows that their respondents embraced such a concept with reluctance. In their interviews, internalized accountability was proffered as a solution to the dilemma facing board members who felt they ought to be publicly accountable but could not say to whom. But not all respondents took this route. Others were prepared to face the consequence that they were actually unaccountable (Day and Klein 1987, p. 183). Moreover, even those who did opt for inner accountability appear to have done so only under probing questioning. It was not a species of accountability which came immediately to mind like external accountability. That is, the notion of internalized accountability may sometimes be seized on as a last resort by those who feel that they ought to be accountable

to someone but cannot identify to whom. Though the notion has sufficient logical plausibility to be intelligible and acceptable, it should not be represented as common usage.

'ACCOUNTABILITY' AND 'CONTROL'

Another extension of accountability is its application to various methods of imposing control over public organizations. The core sense of accountability is clearly grounded in the general purpose of making agents or subordinates act in accordance with the wishes of their superiors. Subordinates are called to account and, if necessary, penalized as means of bringing them under control. In a democracy, it is because the people wish to control the actions of public officials that they (or their representatives) make these officials answer, explain and accept sanctions. Indeed, the auditing of government agencies was identified with an earlier, more specific sense of 'control' (as in government 'controllers' or 'comptrollers' (Gregory 1990). Understanding 'control' in the broadest sense of making public agencies do what the public and their representatives want, accountability and control are intimately linked because accountability is a vital mechanism of control (Uhr 1993, p. 6).

However, accountability is sometimes taken to be more than just a mechanism of control; it becomes identified with control itself. The problem of accountability thus becomes: 'How do political leaders and the public persuade, cajole and force administrative agencies to do their bidding' (Peters 1995, p. 289). Constructing an appropriate structure of accountability amounts to constructing institutions which will guarantee that public officials are appropriately constrained. Indeed, if the central issue of democracy is to control the government so that it complies with the people's preferences, then the entire complex edifice of a modern democratic political system becomes in effect a system for securing government accountability (Day and Klein 1987, ch. 1).

From this perspective, institutions of accountability include all institutions that are aimed at controlling or constraining government power, for instance legislatures, statutory authorities, and courts. Devices of accountability then include the separation of powers, federalism, constitutionalism, judicial review, the rule of law, public service codes of conduct and so on, all of which have an effect on the control of public power. Also to be added are the key extra-governmental institutions of a democratically effective civil society which help to constrain governments, for instance competitive markets, interest groups and the mass media (Peters 1995, 300–1). In this way, accountability threatens to extend its reach over the entire field of institutional design.

On the other hand, such an extension, though understandable, is not logically inevitable. If 'accountability' is kept to its central sense of external scrutiny, it refers to only one type of institutional mechanism for controlling governments and government officials, where governments and officials

are actually called to account, made to answer for their actions and to accept sanctions. In this case, there are other important types of control mechanism, besides accountability mechanisms. For instance, constitutional constraints or legal regulations control governments by restricting their freedom of action, requiring them to pursue certain purposes or to follow certain procedures. Public officials usually have full knowledge of these legal constraints and frame their policies and decisions so that they stay within the legal limits imposed upon them. For the most part, their compliance is unquestioning and unquestioned and issues of formal accountability do not arise.

Certainly, if agencies or officials step outside constitutional or legal limits they face the prospect of sanctions and will thus be held accountable, in the core sense, for their improper actions. But being accountable for alleged breaches of the law does not mean that compliance with the law is also an act of accountability or that the law itself is an accountability mechanism, again in the core sense. In this core sense, the legal accountability mechanism is confined to that part of the law which lays down enforcement procedures. The main body of the law, which most public servants follow as a matter of normal practice, is an instrument for controlling their behaviour but not for holding them accountable.

Within the bureaucracy itself, accountability can also be seen as merely one means whereby external agencies and the public control government policy. Government departments and other agencies are subject to different types and degrees of policy control, whether from executive politicians, legal mandates or their own internal leadership (Romzek and Dubnick 1987). Bureaucrats will normally be held accountable for their performance of given policies, both internally within the organization and often also to outside agencies. Such accountability, however, would usually be considered as only one mechanism by which the policy process is shaped to satisfy the demands of superiors. In the 'policy-cycle' literature, for instance (Parsons 1995, pp. 78–9), accountability occurs as part of later stages of 'evaluation' and 'correction'. During the prior stages of the cycle, such as 'issue definition' or 'options analysis', control is more likely to be exerted through policy makers attending to explicit instructions or being sensitive to political pressures. Admittedly, such analyses of the policy process are notoriously artificial and over-schematic and, no doubt, issues of external evaluation and accountability impinge at all stages of actual policy making through the 'law of anticipated reactions'. The need eventually to answer to supervisors casts a long and influential shadow over the behaviour of public servants. Again, we should remember the element of potentiality in *accountability*, the implication that an official *may* be called to account for anything at any time. None the less, the point remains that accountability, in the core sense of answering to external scrutiny, is only one aspect of how government agencies are subjected to public control. From this perspective, bureaucratic agencies are not primarily structures of account-

ability. They involve accountability but are equally structures of policy development and policy implementation.

On such a more restrictive view of accountability, only a few institutions, such as audit offices, ombudsmen and administrative tribunals, are properly described as 'institutions of accountability' because their primary function is to call public officials to account. Other institutions may adopt an accountability role, though it is far from their primary purpose. For instance, legislatures have a variety of functions – legislative, financial, investigative and so on – among which holding the executive publicly accountable is merely one, albeit extremely important, function. Within the overall operations of a modern legislature, accountability is particularly associated with certain procedures, such as committee inquiries or (in systems of parliamentary government) the formal questioning of ministers. But it may occur at any point, in legislative debate or financial authorization, where members of the government are required to explain their actions and take the consequences. Thus legislatures are vital institutions for securing public accountability but accountability is only one among a number of their purposes.

Similarly, the legal system, whose overall function is to enforce the community's laws, is primarily concerned with regulating the behaviour of private organizations and individual citizens. In most political systems, the courts also play an important part in upholding the constitution and restraining government power. In so far as the courts offer members of the public the opportunity of holding public government officials to account for their actions, they can be said to act as institutions of public accountability. Again, accountability, in its core sense, can be seen as an important, but not necessarily defining, role for the legal system and the courts.

Similar distinctions can be applied within the private sector and civil society. Some non-governmental institutions may be said to have primarily an accountability function, for instance watchdog groups set up with the prime purpose of monitoring and scrutinizing particular areas of government activity. Other organizations, such as sectional interest groups or the media, have a more partial or incidental (though no less important) accountability focus. The dominant function of most interest groups, for example, is to lobby for their members' interests, a goal which sometimes involves active investigation of government policies and the interrogation of government officials. As recognized stakeholders, they may lay claim to a right to question and be informed and thus enforce accountability on governments. The media, too, though in the business of entertaining and informing (usually for profit), also assist the accountability of governments by their capacity to make politicians and officials face public scrutiny.

Thus, a broader, institutional and organizational approach to accountability may encourage a tendency to equate accountability with the general democratic issue of how to design public institutions so that they are amenable to public control. The reason for this expansion of its meaning is clear.

The need to hold the government to account is itself critical to all effective attempts to control public power. Without mechanisms for demanding explanation, applying judgment and imposing sanctions, institutions that are designed to control will fail to achieve their purpose. So central is accountability as a means of achieving control that it can easily be taken to stand for control itself. Thus mechanisms designed to control, such as legal regulations or political instructions, can be taken for mechanisms of accountability even when they do not directly involve any actual accounting or scrutiny.

On the other hand, such an extension of meaning is not irresistible. A reasonably clear distinction may still be maintained between accountability and control by which accountability remains merely one means, or set of means, for enforcing control, through the demand for explanation and the imposition of sanctions. An institutional emphasis in the study of accountability, as in the typology of accountability systems constructed by Romzek and Dubnick (1987), is very much to be welcomed. No one type of institutional structure can be guaranteed to deliver effective accountability for all types of public activity. Designing public institutions in order to maximize the accountability of their officials requires a careful matching of appropriate institutional structures to the differing types of issues and skills involved (Deleon 1998). However, such an emphasis can still make sense within a more restrictive understanding of 'accountability' itself.

'ACCOUNTABILITY' AND 'RESPONSIVENESS'

A third extension of 'accountability' is to equate it with the responsiveness of public agencies and officials to their political masters and the public. 'Responsiveness', like 'control', refers to the aim of making governments accord with the preferences of the people. However, whereas 'control' stresses the coercive role of external pressure, 'responsiveness' points more widely to the public servants' general compliance with popular demands, for whatever motive. Just as accountability is such a powerful means of imposing control that it has sometimes been identified with control, it has also been seen as so important in encouraging responsiveness that the two concepts have on occasion been merged.

'Responsiveness' has been applied to two distinct relationships between officials and the wider public. In the first place, public agencies are expected to be responsive to other actors within the political system, particularly to elected politicians aiming to control their activities. They need to follow and anticipate the directions of their political masters (Saltzstein 1992; Romzek and Dubnick 1994, p. 266). Secondly, agencies providing services to members of the public are called on to be responsive to the needs of their clients in a way analogous to private sector firms being sensitive to consumer demands (Hughes 1994, pp. 236–7). In this case, the responsiveness of government officials is directly to the public rather than indirectly via the public's representatives.

The former avenue of responsiveness, that through the people's representatives, is a longstanding concern of democratic public administration. How to make the appointed bureaucracy comply with the wishes of the elected branches of government has been one of the recurrent themes of the responsibility/accountability literature. It is at the heart of the Friedrich/Finer debate and is also a key assumption of ministerial responsibility. If officials can be made compliant to their political superiors then the main objective of accountability will have been achieved. Indeed, according to some analysts, accountability is to be identified in terms of responsiveness. Thus O' Loughlin, in response to Romzek and Dubnik and their emphasis on managing expectations within agencies, seeks to reaffirm 'responsiveness to outside actors as the central spirit of accountability' (O'Loughlin 1990, p. 283). He develops measures of accountability which include the extent to which officials anticipate the wishes of their superiors and the quality of communications systems which exist between agencies and their superiors. The effectiveness of the accountability system is then assessed in terms of the extent to which the actions of officials are aligned with their political masters.

The identification of accountability with this type of responsiveness is, once again, readily understandable. It draws attention to the importance of anticipated reactions by officials as part of the effect of scrutiny mechanisms. That is, the effectiveness of accountability mechanisms is to be observed not simply in the occasions when officials are actually brought to account. Much more important in securing compliance is the ever-present threat of being called to account, the potential implicit in *accountability*. In addition, the emphasis on communications systems points to an important ingredient in successful accountability structures. Accountability depends on the free flow of appropriate information and on effective forums for discussion and cross-examination. Unless those calling subordinates to account have full access to the relevant people and the relevant information their investigations and assessments will be frustrated.

Once again, however, the identification is not inevitable. Instead of equating 'accountability' and 'responsiveness', one can restrict 'accountability' to its core sense, in which case it becomes just one among a number of different motives that induce officials to follow and anticipate the wishes of their superiors. The fear of being called to account, of facing scrutiny and possible penalty, is undoubtedly a pervasive motive among public officials. On the other hand, other motives are not insignificant. For instance, professional public servants may accept the superior legitimacy of elected representatives and agree to defer to their political masters out of democratic conviction. More cynically, ambitious public servants may wish to ingratiate themselves with their superiors not through fear of accountability but in the hope of personal advancement. In such cases, it is not the fear of being called to account but rather personal values or career advantage that motivate responsiveness.

The other avenue of responsiveness, that of officials directly to members of the public, has figured prominently in the managerial literature on public sector reform (OECD 1987; Osborne and Gaebler 1992, ch. 6). One of the main aims of the managerial reform movement has been to make public agencies as responsive to their clients as private sector companies are to their customers. Public officials have been encouraged to be more directly approachable and accommodating to members of the public and less concerned with following set procedures or deferring to the instructions of their bureaucratic superiors. 'Client focus' is the major catch phrase and citizens' charters, agencification and competitive provision are some of the key mechanisms (Stewart 1992). This change in emphasis is sometimes described as an extension of 'accountability' (Hughes 1998, pp. 236-7). As well as being accountable 'upwards' through the hierarchical chain of managerial command, public servants, particularly those engaged in service delivery, are now also seen as accountable 'outwards', immediately to the public, through the requirement that they respond directly to their clients' expressed needs (Corbett 1996, pp. 198-200). Managerialist manifestos (OECD 1987, pp. 29, 126; World Bank 1998, p. 111) use 'responsiveness' and 'accountability' to citizens as interchangeable synonyms. Market-style relationships are said to provide an alternative channel of accountability because they provide incentives for providers to take the wishes of consumers 'into account' (Stone 1995, p. 521).

On the other hand, the identification can be challenged. If 'accountability' implies rights of scrutiny and possible sanction, then much of the client focus urged on the public sector does not imply accountability but more a general political imperative to provide better service to the public. Some of the client focus mechanisms certainly involve accountability procedures in the core sense, for instance where there is scope to complain about unsatisfactory service and seek redress. Charters with complaints procedures, ombudsmen and administrative tribunals are all institutions of accountability designed to make public servants more responsive to the public's needs. But where public providers have been induced to be more 'customer friendly' through other means, such as management incentives or changes in corporate culture, they have certainly been made more 'responsive' but not necessarily more 'accountable'.

Similarly, the private sector's focus on service to consumers, which provides much of the impetus for increased client responsiveness on the part of public agencies, need not be seen as due to any superior accountability in the private sector. While a customer may hold a private sector provider accountable in the case of a faulty individual purchase or contract, he or she has no general right to demand that the private provider offer services that meet his or her perceived needs. In a competitive market, the main mechanism of responsiveness is consumer choice, the capacity of the consumer to 'exit' to an alternative provider. Accountability, on the other hand, as usually understood, is a 'voice' not an 'exit' option in which subordinates

are required to account and to accept direction. In the private sector, accountability applies more to owners and shareholders, who have rights to call the company's managers to account for the company's performance, than to customers whose main right is to refuse to purchase.

'ACCOUNTABILITY' AND 'DIALOGUE'

A final extension of 'accountability' is where the term is used to stand for the public dialogue which is seen as an essential part of democracy. Here it is the language-based nature of accountability that is stressed, rather than its institutional or motivational aspects. Accountability is seen to be a dialectical activity, requiring officials to answer, explain and justify, while those holding them to account engage in questioning, assessing and criticizing. It thus involves open discussion and debate about matters of public interest and so becomes equated with the principles of deliberative democracy. Day and Klein, for instance, ground their analysis of accountability in the assumption that it is a social activity requiring a 'shared set of expectations and a common currency of justifications' including 'agreement about the language of justification' (Day and Klein 1987, p. 5). In their conclusion they are drawn to the importance of dialogue between the various actors involved and assert that 'political deliberation ... is at the heart of accountability' (p. 244).

March and Olson begin their treatment of accountability (March and Olsen 1995, ch. 5) with the notion of an 'account' itself which they understand as providing an interpretation or explanation. They thus place explanation and justification at the core of accountability. Calling people to account means inviting them to explain and justify their actions within two competing logics, that of consequences and that of appropriateness (p. 154). The accountability required of democratic governments produces contestable political 'accounts' within a context of shared beliefs and values (pp. 167–8) and thus helps to build the autonomous public sphere and civil society sought by Habermas and others (pp. 180–1). Harmon, too, in his critique of rationalism in public administration, sees the accountability of public servants as lying, at least in part, in a form of continuous, open-ended dialogue between themselves and their publics (Harmon 1995, pp. 191–97). Again, in effect, accountability is being linked to explanation and justification which implies a dialectical exchange between officials and those to whom they are accountable.

Certainly, the requirement that rulers and officials publicly account for their actions, whether to legislatures, the courts, in the media or on the hustings, does force them to engage in a form of dialogue with their public. Such dialogue may be seen as a critical element in modern deliberative democracy. Moreover, the activities of questioning and answering implicit in such accountability undoubtedly entail a key role for explanation and justification. Being called to account for one's actions often requires one to explain and justify what was done. Even where apparently 'bare' infor-

mation is sought, such as in financial accounting, the information will only make sense within an explanatory and justificatory framework assumed by the questioner and accepted, or contested, by the respondent. The various discourses of accountability, including assumptions of institutional and personal responsibility, are an important aspect of accountability and worth careful academic investigation (Sinclair 1995; Bovens 1998).

However, it is one thing to recognize that accountability involves public explanation and justification and another to identify it with the dialogue between citizens found (or at least hoped for) in a deliberative democracy. The key difference is that the accountability of public officials, at least in its core sense, implies an unequal relationship of superior and subordinate in which the latter is required to take directions from the former and to accept sanctions, if necessary, for unsatisfactory performance. The dialogue of accountability occurs between parties in an authority relationship and can only be understood in the context of that relationship. This relationship is crucially different from that presupposed by democratic debate which takes place in a public space between citizens conceived of as equals. To be fair, the various theorists who have advanced the concept of accountability as dialogue have not been blind to the need for sanctions to enforce accountability (Day and Klein 1987, pp. 247–8; March and Olsen 1995, pp. 165–7; Harmon 1995, pp. 194–5) and have thereby recognized the tension that such enforcement may create with a more idealized form of democratic dialogue. None the less, to merge accountability with the general dialogue of democratic citizens is to extend it beyond its normal context of authority and control.

CONCLUSION

The scope and meaning of 'accountability' has been extended in a number of directions well beyond its core sense of being called to account for one's actions. It has been applied to internal aspects of official behaviour, beyond the external focus implied by being called to account; to institutions that control official behaviour other than through calling officials to account; to means of making officials responsive to public wishes other than through calling them to account; and to democratic dialogue between citizens where no one is being called to account. In each case the extension is readily intelligible because it is into an area of activity closely relevant to the analysis and assessment of accountability. The question of whom to hold to account for what raises immediate issues of personal responsibility and 'internal' values. The effectiveness of accountability mechanisms must be examined in the context of how bureaucracies are to be controlled and how bureaucrats can be made responsive to the wishes of elected politicians and the public. The public explanation and justification involved in accountability make it an important component of deliberative democracy. On the other hand, as already demonstrated, these connections may be recognized with-

out necessarily extending the meaning of 'accountability' to include the areas and activities with which it is so closely related.

In some respects, the issue of definition is not just about terminology but also about institutional and administrative policy, about the relative emphasis to be placed on external scrutiny and sanctions compared with other means of securing the compliance of officials in a complex democracy. Given the current potency of 'accountability' as a political value, restricting it to its original meaning of external scrutiny is a means of siding with *Finer* and others in their resolute warning about the dangers of elevating administrative discretion beyond the reach of political direction. Conversely, embracing the extension of accountability to cover the pursuit of personal and professional values is sometimes linked with a recommendation to reduce the ever-increasing demands of political and managerial accountability and to place more trust in the independent judgment of public servants (*Sinclair* 1995, p. 233).

Similarly, in the case of responsiveness to members of the public, those accepting the equation of 'accountability' with a generalized 'client focus' are more likely to place faith in private-sector, market-style management mechanisms as a way of reducing the insensitivity of bureaucrats and to be relatively unconcerned about any possible erosion of traditional political accountability (*Hughes* 1998). On the other hand, those who insist on a clear distinction between 'accountability' and 'responsiveness' may do so because they wish to reassert the value of citizens' rights to call public servants to account and to enforce sanctions through political processes (*Rhodes* 1997, pp. 101–3).

The present author, it will be apparent, is more sympathetic to the linguistically conservative end of this spectrum which restricts 'accountability' to its assumed core and places particular emphasis on holding the powerful to account through political and legal channels of external scrutiny and sanctions. Some additional support for this stance has been found in the usage of actual practitioners, reported above, who did not volunteer the internalization of 'accountability' until pressed by researchers. The other extensions in meaning also appear to be more the creations of academics pursuing their own intellectual agendas rather than the results of shifts in everyday usage. In the absence of further research, the suspicion must remain that the extension of accountability beyond its traditional, external focus, has little general support outside the academic community.

Refusal to accept the extensions of meaning proposed for 'accountability' does not, of course, solve the many complex issues that have been associated with accountability. The problem of the congruence between external scrutiny and internal discretion still remains, whether it is described as a clash between 'accountability' and 'responsibility' or between two aspects of 'accountability'. So too does the issue of the relative merits of citizens' rights of redress compared with competitive provision as means of ensuring satisfactory delivery of public services, whether it is a comparison of

'accountability' and market 'responsiveness' or of two types of provider 'accountability'. Within the purview of accountability in its restricted sense, there are still important distinctions to be made, for instance between political and managerial accountability (Day and Klein 1987, ch. 1; Hughes 1998, ch. 11), between ministerial and other avenues of public accountability (Uhr 1993; Finn 1993; Stone 1995; Pyper 1996; Thomas 1998), between the different accountability systems suited to different types of issue (Romzek and Dubnick 1987, 1994; Deleon 1998), and between the various processes of accountability (Mulgan 1997). However, in these continuing discussions, the interests of both analytical clarity and citizens' rights may be better served by keeping the concept of 'accountability' itself within limits.

ACKNOWLEDGEMENTS

The author acknowledges many very helpful suggestions from the journal's readers.

REFERENCES

- Bovens, M 1998 *The quest for responsibility – accountability and citizenship in complex organisations* Cambridge University Press
- Caiden, G E 1988 'The problem of ensuring the public accountability of public officials', pp 17–38 in J G Jabbara and O.P. Dwivedi (eds.), *Public service accountability*. West Hartford: Kumarian.
- Corbett, D. 1996 *Australian public sector management*. 2nd edn Sydney: Allen and Unwin.
- Day, P. and R Klein. 1987. *Accountabilities: five public services* London: Tavistock
- Deleon, L 1998. 'Accountability in a "reinvented" government', *Public Administration* 76, 539–58
- Dubnick, M 1998 'Clarifying accountability an ethical theory framework', pp 68–81 in C. Sampford and N Preston (eds.), *Public sector ethics* London: Routledge
- Finer, H 1941 'Administrative responsibility and democratic government', *Public Administration Review* 1, 335–50.
- Finn, P 1993. 'Public trust and public accountability', *Australian Quarterly* 65 (winter), 50–59.
- Friedrich, C.J 1940 'Public policy and the nature of administrative responsibility' pp 3–24 in C.J Friedrich and E.S. Mason (eds.), *Public policy* Cambridge: Harvard University Press
- Gagne, R.L 1996 'Accountability and public administration', *Canadian Public Administration* 39, 213–25.
- Gregory, R 1990 'Parliamentary control and the use of English', *Parliamentary Affairs* 43, 59–76
- Harmon, M.M. 1995 *Responsibility as paradox*. Thousand Oaks: Sage.
- Harmon, M.M and R T Mayer 1986 *Organization theory for public administration*. Boston: Little, Brown
- Hart, H L A. 1968. *Punishment and responsibility*. Oxford. Oxford University Press.
- Hughes, O E 1998. *Public management and administration* 2nd edn London: Macmillan.
- Jabbara, J G and O P Dwivedi eds. 1988 *Public service accountability: a comparative study* West Hartford, Connecticut: Kumarian Press
- Jones, G.W. 1992 'The search for local accountability', pp. 49–78 in S Leach (ed.), *Strengthening local government in the 1990s* London: Longman
- Kernaghan, K and D Siegel. 1987 *Public administration in Canada* Toronto: Methuen.
- Kinley, D. 1995. 'Governmental accountability in Australia and the United Kingdom', *University of New South Wales Law Journal* 18, 409–27.
- Lucas, J.R. 1993 *Responsibility* Oxford: Clarendon Press
- March, J G and J.P. Olsen. 1995 *Democratic governance*. New York. Free Press
- Marshall, G 1991. 'The evolving practice of parliamentary accountability; writing down the rules', *Parliamentary Affairs* 44, 460–9
- Marshall, G and G.C. Moodie. 1959 *Some problems of the constitution*. London: Hutchinson.

- Mulgan, R. 1997. 'Processes of accountability', *Australian Journal of Public Administration* 56, 1, 25–36.
- OECD. 1987. *Administration as service: the public as client*. Paris: Organisation for Economic Co-operation and Development.
- O'Loughlin, M.G. 1990. 'What is bureaucratic accountability and how can we measure it?', *Administration and Society* 22, 275–302.
- Osborne, D. and T. Gaebler. 1992. *Reinventing government*. Reading, MA: Addison-Wesley.
- O'Toole, B.J. and R.A. Chapman. 1995. 'Parliamentary accountability', pp. 118–41 in B.J. O'Toole and G. Jordan (eds.), *Next Steps. Improving management in government?* Aldershot: Dartmouth.
- Parsons, W. 1995. *Public policy*. Cheltenham: Edward Elgar.
- Peters, B.G. 1995. *The politics of bureaucracy*. 4th edn. White Plains: Longman.
- Pyper, R. (ed.) 1996. *Aspects of accountability in the British system of government*. Eastham: Tudor Business.
- Rhodes, R.A.W. 1997. *Understanding governance. Public networks, governance, reflexivity and accountability*. Buckingham: Open University Press.
- Romzek, B.S. and M.J. Dubnick. 1987. 'Accountability in the public sector: lessons from the Challenger tragedy', *Public Administration Review* 47, 227–38.
- . 1994. 'Issues of accountability in flexible personnel systems' in P.W. Ingraham and B.S. Romzek (eds.), *New paradigms for government*. San Francisco: Jossey-Bass.
- Saltzstein, G.H. 1992. 'Explorations in bureaucratic responsiveness', pp. 171–89 in L.B. Hill (ed.), *The state of public bureaucracy*. M.E. Sharpe: Armonk.
- Sinclair, A. 1995. 'The chameleon of accountability', *Accounting Organizations and Society* 20, 219–37.
- Stewart, J. D. 1986. *The new management of local government*. London: Allen and Unwin.
- Stewart, J. 1992. 'The rebuilding of public accountability' in N. Flynn (ed.), *Change in the civil service*. London: Chartered Institute of Public Finance and Accountancy.
- Stone, B. 1995. 'Administrative accountability in the "Westminster" democracies: towards a new conceptual framework', *Governance* 8, 505–26.
- Thomas, P.G. 1998. 'The changing nature of accountability', pp. 348–93 in B.G. Peters and D.J. Savoie (eds.), *Taking stock. assessing public sector reforms*. Montreal: McGill-Queen's University Press.
- Thynne, I. and J. Goldring. 1987. *Accountability and control: government officials and the exercise of power*. Sydney: Law Book Company.
- Uhr, J. 1993. 'Redesigning accountability', *Australian Quarterly* 65 (winter), 1–16.
- World Bank. 1998. *World development report 1997*. Oxford: Oxford University Press.

Date received 19 February 1999. Date accepted 19 May 1999.

Scandinavian Political Studies

Published by Blackwell Publishers Ltd for the Nordic Political Science Association

Edited by Erik Albæk and Lise Tøgeby

Scandinavian Political Studies is the only English language political science journal from Scandinavia. The journal publishes widely on policy and electoral issues affecting the Scandinavian countries, and sets those issues in European and global context.

Highly ranked by the ISI, *Scandinavian Political Studies* is an indispensable source for all those researching and teaching in Scandinavian political science, public policy and electoral analysis.

Scandinavian Political Studies ISSN: 0080-6757. Volume 23 (2000) contains 4 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia

Contact c-help@blackwellpublishers.co.uk



108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

GOVERNMENT WITHIN GOVERNANCE: NETWORK STEERING IN YORKSHIRE AND THE HUMBER

IAN BACHE

This article considers whether the narrative of 'governing without Government in a differentiated polity' (Rhodes 1997, p. 200) provides an accurate description of the regeneration policy networks in Yorkshire and the Humber.¹ In doing so, it considers the role of the recently created Government Office for Yorkshire and the Humber within policy networks for both UK and EU regeneration initiatives at regional and local levels. The case studies show that while Rhodes' narrative has value in explaining the transformation of the institutions of the Westminster model, the role of Government Office in the region has ensured that the transformation to 'governing without Government' is far from complete in Yorkshire and the Humber.

INTRODUCTION

Our grasp of this world is fragile. All too often we simplify to impose an order that is not there. Our theories fall about our ears as our methods collect data with no inherent meaning. All that is solid, including political institutions, can seem as if it is melting into air. The Westminster model has not, and will not, evaporate. But its institutions have been eroded and transformed since 1945. The narrative of governing without Government in the differentiated polity seeks to capture the transformation (Rhodes 1997, 200).

This article tests the arguments of Rhodes (1997) in relation to new empirical material. In particular, it considers whether the narrative of 'governing without Government in a differentiated polity' (Rhodes 1997, p. 200) provides an accurate description of the regeneration policy networks in Yorkshire and the Humber. In doing so, it draws on research from a number of studies conducted by this author on the operation of policy networks for both UK and EU regeneration initiatives at regional and local levels. The case studies show that while Rhodes's narrative has value in explaining the transformation of the institutions of the Westminster model, the transformation to 'governing without Government' is far from complete in terms of economic regeneration policy.

Ian Bache is a Lecturer in the Department of Politics at the University of Sheffield.

Public Administration Vol. 78 No. 3, 2000 (575-592)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

GOVERNING WITHOUT GOVERNMENT IN A DIFFERENTIATED POLITY

Rhodes (1997) provides a different 'organising perspective' to the Westminster model. He describes this perspective as the *differentiated polity*. The Westminster model, with its focus on the strong executive and tradition of 'leaders know best' 'founders on the complex, multiform maze of institutions that makes up the differentiated policy' (1997, p. 3). In its place, Rhodes puts forward the differentiated polity to describe 'the new institutional setting of British government' and to 'identify the constraints on executive power' (1997, p. 3).

Three 'core themes' guide the organizing perspective of the differentiated polity: networks, governance, reflexivity and accountability. The focus here is on the first two of these themes. First, Rhodes argues that 'policy networks of resource-dependent organizations are a defining characteristic of the British policy process', and that 'there has been a shift from a strong executive to the segmented executive, characterized by bargaining games within and between networks' (1997, p. 4). Second, within this new, differentiated polity, 'Government confronts self-steering interorganizational networks. The relationship is asymmetric, but centralization must co-exist with interdependence' (1997, p. 4).

Policy networks

The Rhodes model of policy networks has been outlined often (see in particular Rhodes 1986; Marsh and Rhodes 1992; and Rhodes 1997). This section summarizes the key aspects of the model. The Rhodes model refers to a policy network as a set of resource-dependent organizations linked through their interest in a specific policy sector. The nature of the linkages between organizations can range from tightly integrated policy communities to loosely coupled issue networks. Policy communities are characterized by restricted membership, high interdependence between organizations and stability over time. Issue networks have wide membership, limited interdependence between organizations and a tendency to disperse once issues are dealt with. If the ideal types of policy communities and issue networks are on extreme ends of the same spectrum, in between lie typologies of networks with some features of both.

The *power-dependence* framework is employed to explore linkages between organizations within a network. This framework rests on five propositions:

- 1 Any organization is dependent upon other organizations for resources.
- 2 In order to achieve their goals, the organizations have to exchange resources.
- 3 Decision-making within organizations is constrained by the existence of other organizations within the network.

- 4 Organizations employ strategies to secure favoured policy outcomes within known *rules of the game*.
- 5 Variations in the degree of influence over decision making are a product of the goals and the relative power potential of each organization, of the rules of the game, and of the process of exchange between organizations (Rhodes 1981, p. 88).

Participants manoeuvre for advantage in policy networks by using their resources – financial, informational, political, organizational or constitutional-legal. Differences in the distribution of resources within a network explain why some members are more powerful than others.

Governance

In essence, the term 'governance' describes the increased participation of non-governmental actors in public policy making and delivery. More precisely, for Rhodes (1997, p. 15) '*governance refers to self-organizing, interorganizational networks characterized by interdependence, resource exchange, rules of the game and significant autonomy from the state*' (emphasis in the original). Rhodes acknowledges the apparent disparity between this definition and the centralizing behaviour of Conservative governments up to 1997, noting that:

It would be foolish to argue that the British centre can never intervene effectively. Its relationships with other units of government and with policy networks are 'asymmetric'; for example, the centre has more legal resources than any other domestic actor does. However, it is equally foolish to ignore the clear limits to, and constraints on, central intervention; there is 'asymmetric interdependence' (1997, p. 15).

So for Rhodes, fragmentation and centralization co-exist, within a polity characterized by 'persistent tension between the wish for authoritative action and dependence on the compliance of others' (Rhodes 1997, p. 15).

A central concern for Rhodes, and for this article, is the extent to which government retains control in a differentiated polity characterized by proliferating policy networks. Clearly, steering policy networks is difficult. Rhodes suggests that while the decentralization of policy delivery has been accompanied by the centralization of financial control, 'such hands off control may not provide enough leverage for the centre to steer the networks' (1997, p. 16). This brings us to the central question of this article: to what extent and in what ways does government control the regeneration policy networks in Yorkshire and the Humber? In other words, is it possible to speak of these networks 'governing without Government'? To consider this we now turn to the evidence presented by the case studies.

TOWARDS A REGIONAL ELITE? KEY PLAYERS IN ECONOMIC DEVELOPMENT IN YORKSHIRE AND THE HUMBER

This section draws on research conducted by the author for the Regional Office, University of Sheffield and the Yorkshire and Humberside Regional Assembly. The main objective of this research was to identify the most influential individuals in Yorkshire and the Humber, with particular reference to economic development. In addition, the development of a regional élite was considered. Interviews were conducted with seventeen individuals from a range of sectors (local government, TECs, universities, business organizations, etc.). For reasons of confidentiality, few names are mentioned here.

Methodology

From desk research, six 'key actors' in the region were identified based on their pivotal positions in the regeneration policy networks. Following the 'Snowball Sampling' technique developed by Goodman (1961), the six initial actors were asked 'who else do you think I ought to speak to?' This question was repeated to subsequent interviewees until no new names were put forward by interviewees. This approach was allied with the 'reputational' approach (Laumann and Pappi 1973), counting as significant only those individuals nominated as important by at least two key figures in the network. The fieldwork took place between September 1996 and January 1997.

Key findings

The research concluded that there was no established cross-sectoral economic development policy élite at regional level in Yorkshire and Humberside. However, activity at the regional level was increasing with an increasing number of organizations becoming involved in regional level organizations and partnerships. All interviewees believed the regional tier had become important in recent years and that this process would continue, although the outcome of the forthcoming general election would determine the nature and pace of events. Irrespective of the party elected, however, there was agreement that the growth of regional activity and the development of regional networks in Yorkshire and the Humber would continue in some form.

A number of explanations were offered for increased regionalization in Yorkshire and Humberside. Prominent among these was the failure of the region to compete effectively with other regions in the UK and overseas in terms of both overseas and domestic investment. This economic argument was linked to a general recognition that regional-level organization brought advantages in terms of economies of scale, particularly for developing strategies for competitive growth. Further explanations for increased regionalization included: the creation of the Government Office for Yorkshire and Humberside (GOYH) in April 1994; the influence of EU policies,

particularly the structural funds; the policies towards regionalization of the main opposition parties; and the development of a Regional Assembly in Yorkshire and the Humber in 1996, bringing together the region's local authorities on a formal basis for the first time.

While there was a high degree of awareness of key individuals at city and sub-regional level, only a small number of individuals could be described as having a significant regional profile in Yorkshire and the Humber. Only six individuals were identified by over half the respondents as 'important within the region'. These individuals came from GOYH (1), local government (3), MPs (1) and the private sector (1). A further ten individuals were identified by over a quarter of respondents as 'important within the region'. These came from business organizations (2), the private sector (3), MPs (3), Training and Enterprise Councils (TECs) (1), plus one other.

Confirming the absence of a significant number of important 'regional' players, a number of individuals were considered pivotal within a city or sub-region but relatively unknown elsewhere in the region. For example, one individual identified as the 'key player' in his city by four out of five respondents from the same sub-region was identified by only one out of twelve respondents from elsewhere in the region.

Government within the regional 'élite'

Despite the difficulties involved in extracting the names of key 'regional' players in Yorkshire and Humberside compared with the relative ease with which sub-regional players were named, the Director of GOYH, Jeremy Walker, was identified as important by all 17 interviewees while no others were. Moreover, all of the ten interviewees that were prepared to narrow down their lists to just the five most important figures in the region named Jeremy Walker in these shortened lists. Next to this, only one other person in the region made the 'top five' lists on five occasions; interestingly, this was an opposition politician who was named by most because of his potential role in regional regeneration under a future Labour government. The creation of government regional offices in 1994 meant that by 1997, GOYH was an established and high profile regional body in comparison with the regional arms of other organizations and sectors.

Why Jeremy Walker was identified clearly as the most important person in the region was linked directly to the authority of GOYH in relation to economic development policy in the region. Walker was seen to control the disbursement of substantial regeneration funds in the region. Government Office was intrinsically involved in the disbursement of funds under the UK's Single Regeneration Budget (see below) and played a key role in decisions over the allocation of EU funds (below). As well as being deeply enmeshed in the formal networks for policy making, Walker was seen as pivotal in the emerging informal regeneration networks and partnerships in the region, liaising 'behind the scenes' with key figures from the public and private sectors. With central government ahead of other organizations

and sectors in establishing an effective regional operation, Walker and others in GOYH were well placed to influence the regionalization process as it affected the wider policy network.

There were differences in how interviewees saw Walker's interpretation of his role, ranging from those who saw him as central government's voice in the region to those who thought he quietly advocated the cause of the region in Whitehall. Yet there was no doubt that his position attributed him with enormous influence over both formal and informal regeneration networks in Yorkshire and the Humber.

General conclusions

The research found that few individuals had a significant regional profile in Yorkshire and Humberside. For most of those that did, this was a recent development. This fact contributed to other evidence that there was a process of regionalization taking place, the nature and pace of which would be largely determined by the outcome of the May 1997 general election. Prior to the election though, GOYH was strongly placed within the regeneration policy networks as the most effective regional body with the control of key resources, particularly financial and organizational, which enhanced its ability to influence both policy outcomes and the process of regionalization.

REGENERATION POLICY NETWORKS IN SHEFFIELD

This section deals with the regeneration policy networks around two initiatives operating simultaneously in the city of Sheffield, which is located in the South Yorkshire sub-region of Yorkshire and the Humber (Bache, forthcoming). The two initiatives are the UK government's first SRB programme and the EU's Urban programme. For this research, interviews were conducted with 44 partners representing all organizations and sectors involved (SRB = 30; Urban = 14) between May and September 1997.

Single Regeneration Budget (SRB)

The introduction of the Single Regeneration Budget by central government in April 1994 signalled a radical shift in approach towards urban regeneration policy in England. The SRB was created by the merger of 20 separate central government programmes managed by five Whitehall departments into one fund administered by the regional government offices. This move introduced an element of decentralization, albeit within nationally defined parameters and following ministerial guidance. The policy model adopted for SRB-allocated grants was on the basis of competitive bidding between local area partnerships, which had to include both public and private sector organizations. Public local authorities and private sector-led TECs were expected to play a leading role (Government in Partnership 1995, p. 4).

When SRB was first introduced it was heralded as a 'new co-ordinated approach which would give "local people more influence over spending

priorities''' (DoE 1993, in Ward 1997, p. 10). Local government critics of SRB viewed these partnership requirements as a means for central government to wrest power from local authorities over a number of programmes that they had previously administered. They made this claim with some justification: central government funding for other local authority regeneration initiatives had fallen in the early 1990s while some *quasi*-governmental agencies – such as English Partnerships – experienced modest real increases in resources (CURS 1995, p. 3). In this context, local authorities were often *reluctant partners* within the new institutional arrangements for urban regeneration. As public-private partnerships appeared unlikely to happen naturally, central government 'sought to force local authorities to work with the new institutions, following the US example of involving the "downtown business elite" in regeneration policies' (Ward 1997, p. 7).

The Urban Programme

The Urban programme was the European Commission's first major venture into urban policy (see Tofarides 1997). Initially, it provided relatively modest funding for eight cities in the UK. For Urban, the partnership requirements followed those established in the 1988 reform of the structural funds and which were largely confirmed in the 1993 reform. This was followed by the inclusion of the European Commission's Community Economic Development (CED) priority in some structural fund programmes for the UK from 1994, including Urban. The CED priority placed strong emphasis on the involvement of local communities in development programmes. CED in Urban was an attempt to reach parts of the community other partnerships did not reach: the so-called 'Heineken effect'.

Government within regeneration policy networks in Sheffield

On the surface, both SRB and Urban partnerships appeared to provide the basis for the 'self-steering interorganizational networks' referred to by Rhodes. Both programmes involved city-level partnerships co-operating in preparing the bids and outlining the operational arrangements. While an invitation to bid from central government was a prerequisite of this, the bids themselves were drawn up entirely by local actors, albeit in consultation with GOYH.

SRB

In operation, a city-level partnership board and local area partnership committees were established to administer SRB. These consisted of the city council, Sheffield TEC and other representatives, notably from the voluntary and community sectors. Membership of these bodies was determined locally following Department of the Environment (DoE) guidelines and in consultation with GOYH. The city-level board was chaired alternately by the council and the TEC, while the area boards were chaired by either a council or a community representative. A newly created SRB Unit, staffed

initially by secondees from local partners, provided administrative support for the programme.

For the local partnership, the SRB Unit interfaced with GOYH on issues of project appraisal and other operational matters. The local partnership had delegated authority to approve projects worth less than £250,000 and GOYH examined a sample of these. Any projects above that amount, had to be 'vetted' by GOYH. While this was in theory a straightforward administrative arrangement to ensure the programme was operating in line with DoE guidelines and providing value for money, in practice tensions arose between local priorities and national policy. GOYH reported 'disappointment' in the number of SRB projects that had to be referred back to Sheffield for failing to meet national objectives around eligibility and value for money. The reasons for this varied from the proposed cost per unit for a housing regeneration project requiring reappraisal to matters of detail on other projects requiring a response by letter.

The partnerships for the first SRB programme in Sheffield established at city and area level, were accurately described by one participant as, respectively, 'not fully gelled' and 'dysfunctional' (Sheffield SRB Unit official, interview 1997). GOYH perceived the Sheffield SRB partnerships to have problems sustaining the involvement of the business community. While Sheffield was not unique in this, the city was perceived to be more confrontational in its decision making compared with other SRB areas in the region. In particular, the city council was seen to have a 'stranglehold' on housing projects, making GOYH particularly alert to the processes through which SRB housing projects had been developed in Sheffield. More generally, there was a perception that in Sheffield, and other cities, the major institutional players (the council and the TEC) allocated resources from 'day one', thus diluting the potentially dynamic contribution to be made by an ongoing partnership. Through its role in vetting projects, GOYH was able to steer the process in line with DoE priorities and minimize the attempted local 'carve-up' of resources.

Urban

In operation, GOYH played a prominent role in the implementation of the Urban programme for Sheffield. Initially, an Urban Management Committee was chosen by the city council in consultation with GOYH, to reflect the main public, private and voluntary partners in the city. In time, the Management Committee would play a secondary role to an Urban Partnership Group, which would consist of community representatives drawn from local residents, business and other local groups. However, GOYH's European Secretariat provided both the chair for the Urban Management Committee and overall administrative support for the programme. Eighteen months into the programme (the end of the fieldwork for this research) the Urban Partnership Group had not been established and the

Management Committee remained the main decision-making body, although this situation was rectified soon after.

GOYH officials played a central role in the administration of the Sheffield Urban programme and were instrumental in the development of a successful partnership for the programme. Partners considered the GOYH officials running Urban to be accessible and receptive to their ideas. Efforts had been made to make meetings and supporting documentation free from unnecessary jargon. Urban papers were thought to be clearer than those for other European and UK regeneration programmes that partners were involved with. Almost all partners interviewed (thirteen out of fourteen) believed there was at least '*some trust*' within the Urban partnership, in contrast to research that showed significant distrust within the SRB partnership in the same North West Inner City Area (NWICA) of Sheffield. Community representatives involved in both SRB and Urban programmes in NWICA observed a real improvement in the approach taken by GOYH officials to engaging the community compared with those local officials responsible for SRB. Despite some reservations over the efficacy of local consultation, almost all partners (twelve) felt they had *influence* over decision making within the partnership. (For a full account of the implementation of the SRB and Urban programmes in Sheffield see Bache, forthcoming.)

The fieldwork for this research was completed in the autumn of 1997. By May 1998, community representatives were reporting to the Commission on the development of a strong Community Alliance in NWICA involving forty local groups. This alliance was developing an area-based regeneration strategy drawing on support from non-Urban sources, including 'mainstream' structural funding, the SRB, and the private sector. In the words of a community representative (1998), 'this was all made possible by Urban'. The action plan for Urban was near completion, with the community representatives satisfied that it reflected locally determined objectives. The success of this partnership was in large part due to how GOYH officials interpreted and implemented the programme requirements. In this instance, GOYH facilitated rather than steered the process.

General Conclusions

While on the surface GOYH had a much more direct role in the administration of Urban than with SRB, in practice there was greater tension in its relationship with the local partners for the latter. Both local political and institutional relationships impacted on the success of the new regeneration partnerships in Sheffield. In political terms, both SRB and Urban entered an area seen as pivotal in the partisan struggle for control of the city council: both partnerships were to differing degrees affected by party conflict between Labour and the Liberal Democrats. Institutionally, SRB was affected by local government resentment that the programme was part of a broader central government strategy for reducing local authority power.

Urban did not suffer from similar institutional conflict over issues of ownership. Subsequently, the city council acted as a gatekeeper over SRB programme decision making in an obvious manner, with the acquiescence of the influential local TEC.

The pre-existing institutional tensions over SRB provided officials with little scope for acting with discretion over community involvement, even where there might have been a will to make it more than consultative. The absence of significant pre-existing local institutional tensions over Urban provided GOYH officials and others with more scope for implementing the community-led approach central to the Urban partnership requirements. However, what was important here was how officers interpreted their role. GOYH officials had no obvious local political agenda, but an enthusiasm for the Commission's 'bottom-up' approach. An attempt to develop a genuinely Community-led partnership received active support from council officers in departments separate from those involved with SRB. That Urban involved a relatively small amount of funding compared with SRB allowed for greater institutional flexibility here, as did increasing awareness at a councillor level of the political 'fall-out' from the disaffected community experience with SRB in NWICA. Under such circumstances, it was not necessary for the GOYH to steer the policy network as with SRB. GOYH simply facilitated a process with policy goals it shared with the other key actors.

STRUCTURAL FUND NETWORKS IN YORKSHIRE AND THE HUMBER

Background

Prior to 1988 the distribution of EC funds for assisting disadvantaged regions in the UK was controlled primarily by central government. From 1988, member states agreed that henceforth, the administration of the funds would be guided by the principle of 'partnership'. This meant that decisions over the allocation of the funds would be made jointly by special-purpose partnerships of EU, national and sub-national representatives (public, private and voluntary). Previously, implementation had been a matter for member states and UK practice largely reflected the preferences of national government. In the conclusion to a study of EC regional policy implementation in the UK covering the first part of the 1994–99 programme period up to 1996, Bache, George and Rhodes (1996) highlighted the ongoing dominance of national government within the domestic networks. This was despite its agreement to the partnership principle at EU level. The role played by the Government Office in Yorkshire and Humberside in the period illustrated this well.

In all English regions, regional government offices chaired the Programme Monitoring Committees (PMCs) at the apex of the regional structural fund administrative arrangements and provided the secretariats, each with responsibility for monitoring, evaluations, and preparing reports and

recommendations for PMCs. However, in Yorkshire and Humberside alone, the Government Office determined local authority representation. Those selected were regarded in local government as 'senior generalists rather than structural fund specialists' (Bache, George and Rhodes 1996, p. 307), thus reducing the informational resources available to local authorities in partnership meetings and strengthening the position of government officials.

Bache, George and Rhodes (1996, p. 319) emphasized the success of the central government gatekeeper at the policy implementation stage, but noted that:

the fluid context within which political institutions operate always leaves room for optimism for those seeking change Should a new UK Government be more sympathetic to territorial reform, both the European Commission and UK local authorities would be enthusiastic and well placed to assist. Until then, however, the extent of multi-level governance in the UK will remain limited by central government's determination to exercise rigorous control, particularly where there are financial implications for the Treasury.

A number of subsequent developments impacted on the operation of structural fund policy networks after this statement was made. First, while government offices in the regions had been created by 1996, they were relatively new and their role was not firmly established. Second, from 1997 local authorities were allowed to select their own representatives on structural fund committees, including elected members, who had previously been excluded by central government in virtually all regions. Third, the election of a Labour government in May 1997 suggested central government policy preferences were more likely to converge with those of local authorities and the Commission than under the Conservatives.

The Labour government signalled its commitment to the principle of decentralization by holding successful referendums on devolution in both Scotland and Wales within six months of coming to power. In England, progress was made on the creation of regional development agencies to improve regional development strategy. With the support of the European Commission and most other partners, Labour also introduced the social partners on to monitoring committees to bring the UK into line with the practice in other member states. Finally, Labour's election victory, coupled with Labour dominance of local government in the assisted regions, meant for the first time the absence of ideological and party political conflict underpinning the institutional relationships between centre and locality within structural fund partnerships. However, whether the prospect of greater convergence with the principles of EC structural policy would lead to relaxation of the gatekeeping role within partnerships would be a matter for detailed empirical investigation. This investigation took place in the

form of 21 interviews with structural fund practitioners in Yorkshire and Humberside between June and August 1998.

Government within Yorkshire and Humberside structural fund networks

Yorkshire and the Humber is one of the more researched regions in terms of UK structural fund partnerships. In addition to coverage by Bache, George and Rhodes (1996), other studies (Roberts and Hart 1996; Killey 1998; and Wells forthcoming) confirmed the dominant role played by GOYH in the first part of the 1994–99 programming period. Structural fund partnerships in Yorkshire and Humberside were characterized by tension between partners, particularly central and local government. That GOYH was the only government regional office in the UK to select local government representatives for the Objective 2 PMC illustrated the high levels of tension and distrust. In short, previous research suggests that if there had been a league table for controlling the regional structural fund networks in England in the period 1994–96, GOYH would have been at or very near to the top.

By 1998, the situation had changed dramatically. Not everything in the partnership garden was rosy, but the region had advanced sufficiently for it to be held up by Commission officials as a model for others to follow. Interviews in the region confirmed that considerable progress had been made in terms of partnership working. Levels of trust between GOYH and other partners had increased, mutual hostility and suspicion between partners had decreased. GOYH was still the major player, chairing all the major structural fund committees and undertaking the secretarial functions. However, the atmosphere of 'them and us' had changed and other partners viewed the Government Office as more helpful than previously. So what explained the change?

An important development was the election of the Labour government in May 1997. The new government was seen by partners in Yorkshire and the Humber as being more 'pro-Europe', more 'pro-regions' and more genuinely 'pro-partnership'. If the period up to 1996 was characterized partly by local authorities and the Commission being regularly in alliance against central government on PMCs and elsewhere, after May 1997 there was a greater convergence on structural fund policy between the key domestic actors. In addition, the election of a Labour government gave confidence to local authorities in Yorkshire and the Humber, which were predominantly Labour-led. Most of these authorities had become defensive and distrusting after eighteen years of Conservative government. Before May 1997, most of the important resources in the region – political, financial and legal – were controlled by Government Office and local government was in a clearly subordinate position. Now, as one councillor (interview, 1998) put it: 'I think that subordination is now starting to disappear, certainly from our perspective, because we've got a Labour government there.'

It's somewhere else to go if we're not happy. Previously there was nowhere else to go'. Here, important political resources have been transferred to Labour local authorities in Yorkshire and the Humber affecting positively the confidence of those councils and placing the role of the regional civil service in a new political context.

Yet some improvements in relations between GOYH and other partners pre-dated the May 1997 general election. One significant decision here was to allow local authorities to select their own representatives for structural fund committees; in effect, allowing councillor representation in the region for the first time. This decision was implemented when the committees were re-constituted for the second part of the programme period after May 1997. After one year's experience of councillor representation in Yorkshire and the Humber, the move had contributed to reducing suspicion and distrust between local authorities and GOYH and was generally well received by all partners.

If national political decisions before and after May 1997 contributed to the improvement in partnerships working in Yorkshire and the Humber, of equal importance were changes *within* the region – and particularly within GOYH – irrespective of national policy changes. While GOYH officials cynically anticipating the 'political winds of change' some time before May 1997 might partly explain the improvement, partners generally believed that the explanation went deeper. A key explanation was the *experience* of partnership working. Despite initial hostilities between some partners, by 1998 partnership working was a well-established prerequisite for funding under both EU and UK regeneration programmes. In other words, organizations knew that if they did not work in partnership they undermined their chances of getting discretionary resources for economic development. While this alone was not a sufficient condition for effective partnership working, it had the effect of bringing together partners who previously worked separately. While in many instances, these 'partnerships' were assembled reluctantly and were in practice largely cosmetic, in others more significant working relationships developed. Thus, partnership 'conditionality' undoubtedly made a contribution, however slowly, to improved relations between partners in Yorkshire and the Humber. As one partner (1998) put it:

the whole climate and the environment within which we work in the area of economic development has become much more partnership orientated over the last four or five years ... people have got used to working together across sectors in a way that simply wasn't the case in the late eighties.

Despite its initial problems, GOYH also played an important role in improved partnership relations later in the programme period. As one civil servant in the region put it (interview, 1998): 'people perceived that they'd got a more effective line back into Whitehall through regional officials than

was previously the case'. While regular contact with influential civil servants in the region can make a positive contribution to partnership, this alone is not sufficient – the discussion of Wales in Bache (1996) illustrated this. What was of considerable importance in Yorkshire and the Humber was a change in the style of leadership demonstrated by regional civil servants. Several partners reported positively on this change of style. This was reflected particularly in the way meetings were chaired and in the responsiveness of the GOYH European secretariat.

In summary, by mid-1998 GOYH was generally seen to be facilitating rather than dominating and steering structural fund partnerships, which contrasted sharply with the perception of partners during the early part of the programme period. No one was under any illusion about the underlying authority of central government through its regional office: it remained the designated 'competent authority' under EU regulations and retained key political, administrative and financial functions within the partnerships. What had changed by mid-1998 was the manner in which GOYH chose to exercise its authority. Some external explanations for this have been offered, but an important internal factor was the growing recognition within the region that dysfunctional partnership relations were hindering economic development policy effectiveness in comparison to other regions. While this affected all partners, it was crucial that GOYH as the dominant partner took a lead in stimulating change and it did so. Increased awareness of the mutual benefits of policy effectiveness made a major contribution to improved partnership working.

General Conclusions

A number of factors have contributed to changes in the operation of the structural fund policy networks in Yorkshire and Humberside. The new government brought important changes, but most partners identified improvements that pre-dated the general election. Funding-driven partnership working was important: although reluctantly accepted by some actors, for others it was generally a positive experience leading to more productive inter-organizational relationships. However, at the centre of the structural fund networks in Yorkshire and the Humber remained GOYH. There was little doubt among partners that GOYH has considerable power within those networks. However, for a number of reasons – some national, some local – GOYH changed the way it operated within those networks over the 1994–99 period to the benefit of partnership working. In short, central government increasingly encouraged more effective partnership working to improve policy performance. There was no obvious involuntary diminution of central control: central government retained all its gatekeeping powers, but policy convergence and an increased awareness among partners of shared policy objectives meant there was less need to exercise these powers to steer the network than previously.

CONCLUSION

This article has considered the extent to which government retains control in a differentiated polity characterized by proliferating policy networks, taking economic development case studies in Yorkshire and the Humber. It illustrates that although steering subnational regeneration policy networks is not straightforward, central government – through its regional office – has considerable resources at its disposal to do this.

As Rhodes suggests, decentralization of policy delivery has been accompanied by centralization of financial control. The case studies presented here show GOYH at the centre of decisions over financial allocations. However, it is clear also that central government retains control over important non-financial resources. In different policy networks, the control and use of different resources – organizational, administrative, political and constitutional-legal – were important in shaping policy implementation and eventual outcomes. For example, GOYH was largely responsible for allocating participation rights within the networks for regeneration programmes, both of UK and EU origin.

Rhodes' argument about 'governance without government' implies a separation between government and networks: 'Government confronts self-steering interorganizational networks. The relationship is asymmetric, but centralization must co-exist with interdependence' (Rhodes 1997, p. 34). While this argument has merit, it understates the extent to which central government is a pivotal actor *within* the economic development networks in Yorkshire and the Humber. The adjective *confronts* suggests a 'them and us' distinction which does not apply equally to the different networks in the region. The structural fund case study, in particular, illustrates a move away from a confrontational relationship to a more consensual one between civil servants and other actors.

Rhodes' argument suggests a regulatory role for government actors in relation to new 'self-governing policy networks'. Importantly, the studies presented here illustrate the importance of distinguishing the role of central government in different networks within the same region and even within the same broad policy area. Thus, while government is relatively 'hands-off' in some networks, it is definitely 'hands-on' in others. The challenge is to explain why this is so. A major part of the explanation accords with Rhodes' argument that policy networks will be allowed to run their own affairs where they present least challenge to the policies of central government. In terms of regional structural fund networks, increased policy convergence between central and local actors, particularly after the election of a Labour government, led to a more relaxed approach to network steering by GOYH in the latter part of the structural fund programming period. The importance of policy convergence – or perhaps more accurately, the absence of policy conflict – was illustrated also by the different approach taken by GOYH to the SRB and Urban initiatives in Sheffield.

With SRB, central government initiated the policy, designed the implementation arrangements, helped select the partners and controlled financial resources. Within the firm boundaries set by central government, the local partnership was allowed to run the programme. However, even under these circumstances where civil servants remained largely outside the network on a day-to-day basis, GOYH retained sufficient control of resources to intervene successfully in the network where central government priorities were at risk. Thus, when local proposals for SRB funding conflicted with DoE priorities, they were returned to Sheffield by civil servants for amendment.

With Urban, central government had less control over policy design but played a central role in the network. That the priorities of the programme were those of the Commission and not central government, allowed government officials relative freedom in operating in accord with the wishes of local partners. With no strong central guidance over the implementation of the EU Urban programme, civil servants were guided by locally determined priorities.

One factor above all others explains the effectiveness with which central government has continued to determine its own role in the subnational regeneration networks in Yorkshire and the Humber. This is the development of a Government Office in the region. When Government Offices were introduced in 1994, 'their arrival prompted debate in the regions and elsewhere as to whether they were a means of more effectively focusing regional concerns to Whitehall, or whether they were a means of Whitehall more effectively controlling what happened in the regions' (Roberts and Hart 1996, p. 11). The truth is that in Yorkshire and the Humber, Government Office has played both roles in different networks. Importantly, however, where there is conflict with national priorities it is clear that GOYH is well placed to act as an able ally to Whitehall in more effectively controlling subnational networks. In short, the resources of central government to control regeneration networks in Yorkshire and the Humber have been enhanced by the integration of previously separate regional departments into a single office, under the authority of a single director. In this case, the sum of the integrated Government Office adds up to more than the sum of its parts. This is well illustrated by the power at the disposal of the Director of GOYH, which is widely acknowledged by actors in other sectors.

It is true, as Rhodes argues, that fragmentation and centralization co-exist, within a polity characterized by 'persistent tension between the wish for authoritative action and dependence on the compliance of others' (1997, p. 15). It is also true that up to 1997 'the British government's command operating code undermined trust in British intergovernmental relations' and that in this context, the challenge for central government is 'to develop an operating code which steers through indirect management and builds trust' (Rhodes 1997, p. 196). The case studies presented here suggest that

where possible, GOYH is seeking to rebuild trust in the region, with officials facilitating rather than steering networks where possible. They also show, however, that in the absence of policy convergence, Whitehall has a powerful new mechanism for steering subnational policy networks.

ACKNOWLEDGEMENT

The article draws on interview material from the ESRC-funded research project on Implementing EC Regional Policy in the UK: Multi-Level Governance in Action? (grant no. R000222447). This research was conducted jointly with Professor Stephen George, Department of Politics, University of Sheffield. The author is grateful to him for allowing the use of some joint material in this article.

NOTE

1. This region was known as Yorkshire and Humberside until the abolition of Humberside County Council in 1996. The response of officials in the Government Office for Yorkshire and Humberside to this abolition was to rename their department the Government Office for Yorkshire and *the Humber* (italics added). This reflected the demise of Humberside as a spatial entity but maintained a reference to the estuary of the River Humber. This was partly because of the river's strategic importance, but also as a concession to those Lincolnshire districts that were formerly in Humberside, but had no historic connection with the county of Yorkshire. This article refers to the 'Yorkshire and the Humber' region throughout, unless it is historically more accurate to refer to Yorkshire and Humberside.

REFERENCES

- Bache, I. 1996 'EU Regional Policy: has the UK government succeeded in playing the gatekeeper role over the domestic impact of the European Regional Development Fund?' Unpublished PhD thesis, University of Sheffield
- . 1998 *The politics of European Union regional policy: multi-level governance or flexible gatekeeping?* Sheffield: UACES/Sheffield Academic Press.
- . (forthcoming) 'Different seeds in the same plot? Competing models of capitalism and the incomplete contracts of partnership design', *Public Administration*
- Bache, I., R.A.W. Rhodes and S. George. 1996. 'The European Union, cohesion policy and subnational authorities in the UK', pp 294–319 in L. Hooghe (ed.), *Cohesion policy and European integration*. Oxford: Oxford University Press.
- CURS 1995. *The Single Regeneration Budget: the stocktake* Report prepared for the ACC, ADC and AMA, Centre for Urban and Regional Studies, School of Public Policy, University of Birmingham
- Goodman, L.A. 1961. 'Snowball sampling', *Annals of Mathematical Statistics* 32, 148–70
- Government in Partnership 1995 *Partners in regeneration: the Challenge Fund*, a guide to bidding for resources from the Government's Single Regeneration Budget Challenge Fund, April.
- Killey, G. 1998. Subnational government in Yorkshire and Humberside and the Structural Funds after 1988: partnerships within an emerging policy network or a side-show in a state-centric system? PhD thesis, University of Sheffield.
- Laumann, E. and F. Pappi. 1973. 'New directions in the study of elites', *American Sociological Review* 38, 212–30
- Marsh, D. and R.A.W. Rhodes (eds). 1992. *Policy networks in British government*. Oxford: Oxford University Press.
- Rhodes, R.A.W. 1981 *Control and power in central-local relations* Aldershot: Gower.

- . 1986. *The national world of local government*. London: Allen and Unwin.
- . 1997. *Understanding governance: policy networks, reflexivity and accountability*. Buckingham: Open University Press
- Roberts, P. and T. Hart. 1996. *Regional strategy and partnership in European programmes: experience in four UK regions*. York: Joseph Rowntree Foundation.
- Tofarides. 1997. 'Cities and the European Union: an unforeseen alliance?', *The European Policy Process*. Occasional Paper No 30. Florence: European University Institute
- Ward, K. 1997. 'Coalitions in urban regeneration: a regime approach', *Environment and Planning*, 29, 8, 1493–506
- Wells, P. (forthcoming) Searching for cohesion in a Europe of the Regions: the implementation of the European Union's Structural Funds in the United Kingdom and France. PhD thesis, University of Sheffield.

Date received 30 January 1999. Date accepted 20 April 1999.

LABOUR'S MODERNIZATION OF LOCAL GOVERNMENT

JOSIE BROOKS

The modernization of local government is central to the government's plans to revitalize the UK's constitutional arrangements. Implicitly managerialist, the modernizing local government project also contains centralist and localist themes. Translated into policy, these themes are articulated as leadership, community, democracy and regulation. However, these elements are potentially contradictory and may produce tensions in the project that may be difficult to resolve. By reviewing the government's aims to promote leadership, community and democracy in local government, it is also argued that the planned modernization of local government will extend further and into new areas the regulation of local authorities.

INTRODUCTION

Since the 1997 General Election, local government has experienced a remarkable renaissance in its fortunes. The Labour government's commitment to local government is demonstrated by its statements that local authorities will be crucial in making a significant contribution to the delivery of the domestic policy agenda. Ministers have promised that councils will be provided with new powers and responsibilities by government. However, new responsibilities for councils will be conditional on their acceptance of the modernizing agenda. A positive response by local authorities will reassure the government that they are equal to their new role within the new system of British governance (Blair 1998).

That the government has found a new purpose for local government is noteworthy, least of all, as an indication of a departure from the policies pursued by previous Conservative administrations. Advocating the importance of leadership, community, democracy within local government, Labour indicates how its policy differs from that of its predecessors. Yet, Labour's modernizing local government project chooses to continue policies from earlier administrations, most notably, the close regulation of local authorities. Policy continuation is present elsewhere in Labour's modernization project, particularly the emphasis upon centrally instigated managerial reforms.

Labour's strategy to reform local government will depend on how effectively local authorities implement the project. However, there are significant pressures and tensions which challenge the project that unless managed

Josie Brooks is a Researcher at the Southampton Institute.

Public Administration Vol 78 No. 3, 2000 (593-612)

© Blackwell Publishers Ltd 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA

successfully may compromise its success. These pressures include the potential contradictions between the stated objectives of the modernizing agenda and several of Labour's other policies. Specifically, Labour has emphasized its commitment to enhancing community representation and local government's democratic practices, yet the government has reiterated that it will continue to direct the management of local authorities. Furthermore, the demands of territorial equality challenge local difference as councils continue to provide important public services, set according to national policy objectives. Despite claims that New Labour policy making and implementation enjoy greater coherence than previous administrations, other policies, most notably, devolution and the creation of the Regional Development Agencies (RDA) bring other tensions as support for decentralized powers to the regions may be incompatible with an expanded role for local authorities. Even the realization and operation of the modernizing agenda is not without disagreement. Among the modernizers there are differences between those who believe that reform in councils should be experimental and administered primarily from within the local government community and those who doubt whether local authorities can be modernized without central regulation. Lastly, the modernizing agenda faces other constraints that are beyond the control of government; indeed, it is uncertain whether Labour's local government policy is less susceptible than the previous administration to the influence of international trends to reduce the scope of the public sector and dissatisfaction with government.

As the modernizing agenda is implemented, the government will face further challenges. At the time of writing, the government's proposals are supported by the local government community. It is uncertain, however, that the government will enjoy indefinitely such minimal opposition from the local government community. As Labour's dominant position in local government is reduced, opposition parties will undoubtedly employ local electoral gains to challenge the government by exploiting weaknesses and implementation gaps within the modernization project.

However, the modernizing local government project contains within itself the most significant pressures. By advocating new political decision-making structures, the modernizers expect improvements in the accountability of local government. Other reforms will seek to improve local participation and to encourage councils to provide community leadership. However, while the modernizing agenda promises greater local autonomy, it is in the context of a highly coherent strategy which continues the trend of a government-led reform agenda that extends the central regulatory framework that manages local government. In this context, it is questionable whether the government's actions will be of lasting benefit to local government; or whether it continues, albeit with different policy objectives, the trend of reducing self-government in the localities to a system which merely administers nationally decided policies.

LABOUR'S GOOD FORTUNE

Labour's local government policy appears to face fewer implementation difficulties than the Conservatives' policy at a similar point into their term of office. It is to Labour's advantage that the government has the sympathetic support of many local authority practitioners and of the leadership of the Local Government Association (LGA). It is also Labour's good fortune that their political opponents are particularly weak in local government. Undoubtedly, the Conservatives will have a resurgence in their support, while the Liberal Democrats will continue to expand their local government base. For Labour, however, its strong position in local government has several drawbacks. Labour local government has a very poor reputation in some areas of the country. The government is also critical of Labour local government's apparent inability to run services effectively in some local authorities. A poor reputation and distrust of the modernizers' agenda provide signals to the government that some elements within Labour local government are a liability to the success of the New Labour project.

Labour has also benefited from several substantial research projects, such as the Joseph Rowntree Foundation study on Central-Local Relations, the ESRC Local Governance programme, the Commission for Local Democracy and the House of Lords Select Committee on Relations between Central and Local government. Before the last general election, organizations such as the Local Government Management Board (LGMB) and the LGA, with other interested pressure groups used the research findings to stimulate a public debate on the role and purpose of local government. These factors have influenced the modernizing project which has moved beyond merely opposing and reacting against Conservative policies on local government. Similarly rejected is the model of local socialism, which was popular among some Labour councillors during the early 1980s (Boddy and Fudge 1984).

The government has published extensively on its modernization proposals. During 1998 the government published six consultation documents (DETR 1998a-f). These were followed later in that year by the publication of a White Paper, *Modernising Local Government: In Touch with the People* (DETR 1998g). In November 1998, the government published a Local Government (Best Value and Capping) Bill. Five months later, the government published a further Local Government (Organisation and Standards) Bill, although only in draft form, and a Command paper entitled *Local Leadership, Local Choice* (DETR 1999b). The Local Government Minister, Hilary Armstrong, and other modernizers have written extensively in local government practitioner journals on why reform is essential and of the detail of the modernization project. The government has commissioned research on the modernization project, specifically on the implementation and operation of Best Value and on increasing public participation in local government (DETR 1998h).

The modernization of local government was an election pledge and steps

have been taken to implement this promise. The government has been cautious in the scope of its legislation. Priority was given to the abolition of Compulsory Competitive Tendering, which was replaced by the Best Value system. Universal capping was also abolished, replaced by reserve powers that are more discriminating. However, measures to reform the political structures of local authorities and plans to place a new responsibility of community leadership were not included in the first tranche of legislation. It is possible to argue proposals to reform the decision-making process may require further development if they are to be implemented successfully. Moreover, plans to reform the political decision-making structures have not been universally endorsed by observers and the local government community (Stewart and Jones 1999). By delaying legislation, the government may use extra consultation, research and inducements, such as the Beacon status initiative, to neutralize opposition to its more controversial proposals (DETR 1999a, b).

POLICY THEMES: MANAGERIALISM, CENTRALISM AND LOCALISM

The government's plans to modernize local government consist of two components, to modernize decision making and to improve service delivery. The themes of managerialism, centralism and localism occur repeatedly throughout both elements. However, these themes may be incompatible and may produce significant pressures on the construction of a coherent project. Yet, such tensions are the expression of assorted policy perspectives that are intrinsic to Labour beliefs, transcending any points of difference clustered around the notions of New Labour *vs* traditional Labour.

Proposals to reform the political decision-making processes in local authorities and to improve service delivery draw on a hierarchical model of reform, driven by the centre. The project may also be described as managerialist, emphasizing the importance of service-level agreements and performance indicators that will inform local electors and improve the accountability of local authorities. Although ministers have encouraged local authorities to experiment and modernize ahead of legislation, innovation by local government practitioners is effectively restricted by government guidelines and inducements (DETR1998g, 1999a,b). A further element in the managerialism of the modernizing project is the role of associations such as LGMB, Joseph Rowntree Trust (JRT) and the New Local Government Network (NLGN), which are among the organizations working with local authorities and the Department of the Environment, Transport and Regions (DETR) on appropriate management reforms and disseminating regularly guidance on best practice.

Labour has a strong tradition of wishing to regulate centrally the localities and this trend is clearly discernable in current policy. By appealing to principles of territorial equality and universalism in the delivery of welfare services, it does not welcome variation in service performance. To

produce uniformity in local government welfare services implies that there will be a high level of regulatory control. Yet, the modernized regulatory framework utilizes intermediary organizations, such as the Audit Commission, the Improvement and Development Agency and the LGA, suggesting that direct government intervention into the running of local authorities will be exceptional.

Within Labour local government there remains significant support for those who wish to retain and indeed, enhance the localist dimension of local authorities. Keen for local government to regain powers removed during the Conservative years, Labour's localism continues to argue for greater discretion in revenue generation, expenditure and for powers of general competence. However, the government will not bow to pressure to provide local authorities with greater powers without significant conditions being met. Only those local authorities awarded Beacon status will be allowed greater freedom when setting their council tax, planning capital expenditure and powers to take initiatives where currently councils do not have such powers (DETR 1999a). Moreover, it is anticipated that only 40 local authorities in England will be awarded Beacon status and those successful authorities will have met the stringent criteria set by the government.

REGULATING LOCAL GOVERNMENT

Labour's project seeks to enhance local leadership, improve public participation in the decision-making process and provide a new representative role for councils. However, Labour's modernizing project is grounded in regulation. Indeed, the modernization project may be interpreted as a further step in the continuing trend of the control of local government by the centre. Using incentives, inspectorates, regulatory control and reserve powers, the government's plans imply that local authorities work best when closely supervised. Regulation of local government by Labour, however, will differ significantly from the Conservatives' strategy for controlling local authorities. First, the strategy for regulating local government may be more considered and pre-emptive. Unlike their Conservative predecessors, Labour had much time in opposition, plus the support of local government practitioners and academics, to develop its strategy. The Conservatives in their dealings with local government were often reactive and prompted by short-term political objectives (Rhodes 1992). Second, the government's policy of modernizing local government uses a range of stratagems to ensure that local authorities carry out their responsibilities within certain limits. Early indications suggest that the present government appears to prefer more subtle measures that imply a more sophisticated form of control and regulation. It also makes it more difficult for critics to articulate opposition to the modernization project. Third, by extending the regulatory framework, not only the functions of councils are to be supervised, but the government believes it will be legitimate for it to direct and, if necessary, intervene in the political structures of councils.

By reiterating that local authorities are a creation of Parliament, the government is reminding local authorities of the unequal nature of intergovernmental relations. It also serves as a reminder of the powerlessness of local authorities to resist the actions of government intent on intervention and the willingness of Labour to act against miscreant councils (Blair 1997, 1998). Early indications suggested that Labour was keen to exercise its authority over councils and adopted a bellicose approach to the modernization of local government. However, this tactic has been modified and statements supporting the benefits of the modernizing local government project are now emphasized. Nevertheless, regulation and control remain important to local government modernizers. Current proposals are a continuation of the trend observable since the late 1970s and government's preference is for a legislative framework for local authorities, which is instrumental and not facilitative (Loughlin 1996).

If the modernization project is successful, local authorities in the future will be subject to several new forms of regulation and control. These may be classified as either explicit regulation or implicit control, through mostly but not exclusively third party or intermediary agencies. Lastly, employing a tactic which is being used increasingly elsewhere in government, incentives will be available to local authorities who excel in meeting ministers' expectations. Explicit regulation is not new. Statutory duties, statutory instruments circulars and default powers may vary in their effectiveness but are important in constraining local authorities. However, the new duties which the government intend to place on local authorities are a departure from previous practice. In the past, statutory duties were mostly confined to local government functions, whereas the present administration plans to regulate the political practice and management of local authorities' business.

More subtly and augmented from the practice of previous administrations is implicit regulation. Agencies such as the Audit Commission, the District Auditor and less explicitly the LGMB and the LGA, in conjunction with the new Improvement and Development Agency will continue the trend, developed by the previous administration, of promoting solutions derived from the ethos of New Public Management. It is also a further manifestation of the 'ritual of verification' (Power 1997). The Best Value regime, monitored by the Audit Commission's new Inspectorate, will set the parameters within which local authorities will operate. National performance targets will be set by government although locally agreed Corporate Plans will acknowledge territorial variation. The Best Value regime seeks continuous improvement in the process and substance of service delivery. In common with other elements of the modernizing local government project, scrutiny will be critical. Service Reviews and performance targets will be audited and certificated. Performance targets and indicators will serve a dual purpose of pronouncing on the effectiveness of services, while also providing indicators of where improvements are required. How-

ever, centrally appointed inspectors and government ministers will judge where improvements should be made (Boyne 1998).

The Best Value regime depends on audit. The role of inspectors, such as the District Auditor, the Audit Commission and other external auditors will be extended. All aspects of a local authority's service performance will be audited and therefore, it is suggested, accountable. However, this definition of accountability is narrow, it ignores the fact that political decisions inform and influence the setting of national and local performance targets. Variation in performance of authorities may be because of inefficiencies, yet comparisons which only use indicators are only rarely able to explain what other factors were relevant and too often result in public recriminations. Several services provided by local authorities are not easily reducible to input and output measurement. Focusing on the process of service delivery and outcomes brings other difficulties. The process of measuring performance and the continuous appraisal of outcomes suggests that the operation of monitoring may become enthralling in its own right. Indeed, there is a danger that the Best Value management framework risks becoming a closed system.

Elsewhere, other forms of implicit regulation include the LGA, which in consultation with the government, developed a model of self-assessment that will restrain local authorities (Stewart 1998). Elsewhere, agencies such as the Joseph Rowntree Foundation and the DETR are developing models intended as exemplars of good practice (Coleman 1998; Filkin 1998; Leese 1998). The new Standards' Board will also act as a third party agency. As part of the new ethical framework, it will provide new enforcement and disciplinary arrangements. It is imperative that local government adopts a clear Code of Conduct and its practitioners act with probity. However, it is interesting that the government's intention is to legislate to install a new ethical framework for local authorities. This proposal is surely the most recent expression of a deeply held, historical belief that the localities could not be trusted to regulate themselves and central controls are essential.

Government's third strategy is to resort to the practice of exhortation, used increasingly elsewhere in government. Rewarding those local authorities that excel in meeting their objectives with special privileges is a departure from the punitive methods of previous regimes. However, the proposal to award some councils 'Beacon Status' extends government regulation of local authorities in a new direction. Labour is declaring its preference for incentives and rewards not sanctions and punishments. However, by retaining reserved powers and threatening councils which are labelled as 'failing' (with the risk that they lose powers), government indicates that sanctions, rather than incentives, are an important part of its preferred strategy.

Financial regulation of local authorities will remain pre-eminent in the government's armoury of controls. Although the abolition of universal capping may in time be a significant step in re-establishing some degree of

local accountability, the secretary of state will retain powers to restrict the freedom of local authorities to tax their constituents and to spend on their behalf for the time being. Central restraints remain an important element of the democratic deficit in local government and the government's commitment to democratic renewal does not appear to extend to allowing councils to set local taxes. As in the past, controls on local government expenditure will continue to be framed by the government's macro-economic plan and local government's dependency on the national tax payer. Financial restrictions on councils will continue. In its proposal on local taxation, the government is reaffirming its view that local authorities are primarily providers (directly or indirectly) of nationally decided services. It is also confirmation that, as in the past, Labour's first commitment is to territory justice and the principle of universalism in the supply of public goods and not to localist forms of government.

The close supervision of local authorities will continue if the government's proposals are implemented. Indeed, central intervention in the affairs of the localities will be extended into the political management of councils. Labour, however, is constructing a regulatory framework that does not rely solely on sanctions. It has also extended the role of third party agencies which will monitor the activities of local government. Supporters of the modernization project have also been particularly successful in dominating the debate and any counterarguments are rarely explored. Thus, this hegemonic discourse of the modernizing local government project further regulates the practice of local government.

MODERNIZING LOCAL GOVERNMENT

At the operational level, the stated policy objectives of the modernizing project is to improve local leadership, enhance local democracy and to develop the role of local councils in their community. However, there are important discrepancies between improving leadership, enhancing community links and strengthening democracy in local government. Furthermore, the government's enthusiasm for these objectives is conditional; they must take place in a regulatory framework which draws on managerialist derived solutions to resolve political differences.

Improving leadership

Historically, the purpose of committees in the management of local authorities has been to allow councillors in multi-functional authorities to be engaged in the policy-making process (Wilson and Game 1998). However, local government functions have been significantly reduced in recent years and, according to the government, the continuation of the committee system in its present form of managing service delivery cannot be justified. Traditionally, to be a councillor was to attend meetings: yet excessive meetings reduce the time available for other activities. The committee structure encourages the promotion of party interests which dominates other council

business and causes local authorities' political leaders to be over focused on internal management issues. By concluding that the committee system is now totally discredited, the government is articulating a common sense view held by some local government practitioners. It is their experience that policy decisions are routinely made in private, before and outside the committee meeting, by the majority group members. Even if dissent is expressed by members of the majority group, differences are rarely expressed in the public forum of committee meetings (DETR 1998g, 1999b).

The government is proposing to replace the traditional committee structure with three new forms of executive leadership. Local authorities will either choose to move to a system of executive leadership provided by a directly elected mayor with a cabinet of senior councillors: a cabinet system with a leader appointed or elected from councillors or a directly elected mayor with a council manager. The government believes that these three models provide sufficient scope to meet the requirements and diversity of all local authorities.

The government believes a formal executive structure will produce greater efficiency, transparency and accountability in local government decision making. A small executive would, it is suggested, make decision making less unwieldy. It would produce more effective and responsive policy that accurately meets the community's requirements and aspirations. Moreover, unlike present arrangements, an executive would be clearly identifiable as the responsible decision maker. Increased visibility and transparency in decision making would lead to more effective accountability. Indeed, argue the government, decision makers, who are readily identifiable would increase interest in the actions of the council and would contribute to an improved participation in local elections (DETR 1998g 1999b).

The case for strong leadership and a core executive in local government has been circulated for many years. The LGMB has been influential in arguing for local authorities to be managed effectively, rather than administered and more recently, to be strongly led. Interest in effective management coincided with pressure to reduce public expenditure and the application of the New Public Management (NPM) paradigm to local government (Stewart and Walsh 1992; Foster and Plowden 1996; Stoker 1999a). Proposals for a directly elected mayor interested Michael Heseltine and have been researched extensively (Stoker and Wolman 1992; Hambleton 1996, 1998; Clarke *et al.* 1996). It was a recommendation of the Local Government Commission (1995) and is the preferred choice of the government (DETR 1999b) and supported by neo-modernizers such as Steve Bassem, and academics such as Gerry Stoker and Robin Hambleton.

A traditional defence for local government is that local government requires strong leadership if it is to become a successful counterweight to centralized politics (Hodge *et al.* 1997, Clarke *et al.* 1996). Strong leadership is also popular with the public, who support the idea of directly

elected mayors (Miller and Dickson 1996). It is also argued that political leaders should be civic entrepreneurs, building coalitions of interests and developing opportunities for their communities (Leadbeater and Goss 1998). Such new forms of leadership will reduce the impact of party politics and make local councils engage more with their communities (DETR 1998g).

The case for the civic entrepreneur promoting the interests of his/her constituents, working in partnership with other organizations, providing a vision for the locality, is influential (McGovern 1997). However, this ideal, when applied to our system of local government contains elements which appear undemocratic. How can we be sure that the vision argued for by the civic entrepreneur is shared by the whole locality? How are different visions dealt with? Does this model offer scope for difference and diversity? How are such leaders accessed by others, in particular those who are politically, socially or economically different from the leader or are from groups which are often excluded from decision making?

Several of these concerns may apply to the three models of the modernizing project. The requirement for an entrepreneurial figure risks increasing the personalization of politics. Flamboyant personalities have run cities previously. Few would argue that such personalization helped tackle the problems of the democratic deficit in local government. Arguably, directly elected mayors would increase the risk of national party political interference in local government. Such elections, being highly prominent, risk becoming a test of the government's performance. Supporters have claimed that directly elected mayors will be elected by the people and not the party caucuses. Such a statement underestimates the importance of party selectorates and party workers. Even if 'independent' candidates came forward, this does not prevent organized interests and political parties endorsing or rejecting contestants. Also, council business could be vulnerable to the election cycle and dominated by the need for candidates to promote their campaign in future elections, while newly elected mayors would have to build new alliances and partnerships. Lastly, there is the risk that organizations that work along side local government may be politicized as candidates seek out endorsements and support (Clarke *et al.* 1996).

The government's first preference is for directly elected mayors. However, there are two further proposed systems. First, the cabinet system with an indirectly appointed leader is more popular with councillors as it is the system, with some modifications, that councils currently operate and of which the government is so critical. The third model, a directly elected mayor and an appointed council manager shares several difficulties of both systems. Specifically, a directly elected mayor working closely with a council manager may be an effective form of decision making, yet may be challenged as reducing further the involvement of elected representatives in the decision-making process.

Common to all models is the requirement for local authorities to establish

mechanisms that will scrutinize the actions of the executive and the policies of the council. Under the new arrangements, so-called backbench councillors will have the more clearly defined roles of scrutineer and community representative (DETR 1998g, ch. 3). They will also have opportunity to propose policy to the executive. The success of the new executive arrangements will depend on the effectiveness of the scrutiny panels. However, if the scrutiny panels are to be effective, party loyalties would have to be put to one side. Even if party discipline was relaxed, ambitious councillors who aspired to become a 'cabinet' member or an indirectly elected leader, might find that their actions whilst a member of a scrutiny committee might impede their further advancement.

Scrutiny has different forms and may be applied at different points of the policy-making process. However, if scrutiny is to be effective under this or any other system, sanctions are required. Ultimately, without checks and balances on the power of executives, these systems are open to abuse. Yet to give backbench councillors the power to veto budget decision and policy frameworks will undermine the executive's authority. Unless scrutiny committees are given power to veto, they will be reviewing policy *after* it has been formulated, unlike the present committee system, where it is possible to challenge decisions before they are formally ratified by the council and councillors are required to explain their reasons at the point at which any decision is formally made.

The government has not produced guidelines on the actual size, structure and the flow of business of scrutiny arrangements. The draft bill or the supporting paper is also silent on the recommended number of scrutiny committees, the size or indeed, how frequently they should meet. Although, proportionality rules will apply to the membership of these committees. This proposal suggests the scrutiny arrangements will be decided by the whole council. If this is to be the case, there remains the question of whether members who hold executive responsibilities are free to vote on scrutiny arrangements. A further concern is that majority group members, eager to reduce any political embarrassment to their party may block meaningful scrutiny. Unscrupulous majority groups could restrict the number, size or even the agendas of scrutiny committees, thus limiting their effectiveness.

Much has been made of the benefits of streamlined leadership, yet there are significant issues of probity which must be addressed. How will the local electorate dismiss incompetent or failing executive leaders other than at the next scheduled election? What safeguards will there be to ensure that controversial decisions are open to scrutiny committees and the public before their implementation? Although, the government has issued guidelines on scrutiny (DETR 1999b), the effectiveness of the process will depend ultimately on the willingness of the executive to co-operate fully with the process and on backbench councillors' capability to hold decision makers to account.

Local authorities and community government

The concept of community within the modernizing project may be considered a significant revision of Labour's doctrine of local socialism (Boddy and Fudge 1984). In New Labour's modernization project, community government implies democratic renewal and new forms of political leadership. The government has announced that it intends to introduce a new duty on councils to 'promote the economic, social and environmental well-being of their areas and to strengthen councils' powers to enter into partnerships' (DETR 1998g, p. 80). This new duty will require local authorities to place sustainable development of their localities at the centre of their activities. By considering economic, social and environmental factors, local authorities will act as a catalyst to develop a strategy for the area and to co-ordinate organizations and bodies which operate in a locality. With planning partnerships and development strategies, local authorities will use community consultation and scrutiny to highlight issues that are of concern to the locality (DETR 1998g, ch. 8). This is a departure from previous models of local government, which were preoccupied with the structure and functions of institutions (Prior *et al.* 1995).

The government's proposals for community leadership are derived from the model of community government developed by Stewart and others. Community government argues for a new strategic role for local authorities, which is responsive to its service users based on renewed forms of accountability. Furthermore, it acknowledges the diversity of society and argues that councils, as political institutions, have the potential to operate as a locus for the determination and settlement of competing values and priorities. Confronting the Riddleian definition of enabling, in reality merely contracting authorities, community government, by being responsive and accountable, can be truly enabling and supportive of diverse forms of social action. The renewal of democratic practice is also decisive to community government. Broadening the narrow definition of representative democracy, community government seeks to include new forms of participatory democracy and of innovating the practices of representation (Stewart 1989, 1996a, 1996b).

Superficially, the notion of community has a seductive appeal. Imprecise and open to multiple definitions, the concept of community means something to everyone but escapes precise definition. Yet, because of its imprecision, the concept of community may be used by competing discourses. In practical terms, communities are potentially dangerous, exclusive and often a contributory factor in social injustice. Too often by appealing to the notion of community, bias has been mobilized against others. Community as place ignores globalization and the structural changes in employment and lifestyle. Community-place implies that through spatial interests *all* interests within a locality are represented. Yet, in localities communities may mobilize resources that use identity as a point of difference against others. However, communities formed by interests or identities are also

problematic. Individuals, after all, have multiple interests and share interests that cross over location and spatial communities (Frazer 1996). Community-identity forged by shared experiences, cultures and life style may be more binding than location (Prior *et al.* 1995). Whether based on interest or place, groups organize to maximize their allocation of public resources. Because of the services councils have traditionally supplied, local authorities are vulnerable to pressure groups circumventing the policy-making process for their own benefit (Gyford 1991).

Conceptual imprecision leaks into policy making. While Stewart clearly argues that the diversity of communities is acknowledged within the concept of community government, this does not transfer readily to the modernizing local government project. Reference to community leadership by the modernizers implies a form of local government that could transcend diversity and ignores the fact that localities are not heterogeneous. It also implies that politics based on narrow interests is incompatible with community governance. Conservatives argue that using community in this context is conceptually weak, after all communities lack the substance of institutions (Gray and Willetts 1997). It is also argued that the model of community government is disengaged from the realities of the practice of party politics (Whitehead 1997; Seyd 1998).

The principle of community government appears emancipatory and able to challenge previous discriminatory assumptions. The *practice*, however, is problematic as it is questionable whether it can be translated into concrete policies to retain its strength. Doubt remains whether community leadership is sufficiently robust to meet the challenge of social exclusion and provide a more cohesive, inclusive form of government. Partnership with other agencies is attractive but there is significant doubt that single-purpose organizations could work collaboratively with multi-purpose organizations, such as local councils, and retain their identity and resist being subsumed. While such questions may be answered in the abstract, the test will be undoubtedly how community leadership is translated into policy; indeed, whether effective community leadership is feasible at all in a centralized polity. As the government continues to use local authorities to deal with complex social issues such as regeneration and social exclusion, this could be interpreted as local authorities acting as mere agents of central government. Yet, the introduction of a new community leadership role for local authorities is a significant break with the traditions of central-local relations. It may generate new difficulties as local authorities will be required to settle countervailing pressures, produced by the tensions between councils as providers of government services that are restricted by central agencies, but yet under significant pressure in their localities to lobby for additional resources from the government.

Furthermore, as the RDAs develop and regional chambers establish their identity, there may be conflict between this new tier of government and local authorities. It is intended that regional government will have a stra-

tegic role, working in partnership with councils. Yet, this may reduce further local government's influence and legitimacy, especially if there are disagreements between the interests of the locality and the region. Moreover, if aspirations expressed by community leadership are channelled into regional government, this will reduce the effectiveness of councils to lobby government. Steps taken by the government to extend the differentiated system of sub-national government suggest that central regulation may be relaxed regionally though the RDAs, yet retained, albeit in a different form, at the local government level. Thus the parameters on local authorities' community leadership activities will be restricted and narrowly drawn.

Revitalizing local democracy

Labour's modernizing project contributes to the long-standing debate on the weaknesses of local democracy. While these issues may be summarized as the chronic deficiencies in the practice of representative democracy as analysed by writers in the public choice genre (Dowding 1996), the government has eschewed reforms which draw on this tradition. Instead, the government aims to revitalize local government by insisting that new forms of participative democracy are introduced. However, it may be argued that government insistence on local authorities adopting new consultative strategies, including binding plebiscites, will undermine further the traditional legitimacy of elected local government.

According to the government, public dissatisfaction with weaknesses in local government democratic practices are reflected in the extraordinary low participation rates in local government elections (DETR 1998a). However, there is disagreement about why this is the case. According to the government, it is second order factors, such as infrequent elections, outdated electoral registers and polling stations which are inconveniently located, which contribute to the low level of participation. Even the traditional process of voting is believed to be a disincentive for some electors (Game 1998; Corrigan 1998). However, some commentators argue that apathy at local elections is how electors acknowledge the limited power of local government (Ben-Tovim 1998). However, this view is rejected by the neo-modernizers (Stoker 1999b).

Local government's democratic credentials are also weakened because councillors are unrepresentative of their communities. It has been known for some time that the social characteristics of councillors do not reflect society generally and that the nature of organized politics presents barriers to entry to all except the most committed (Gyford *et al.* 1989; Rao 1998). However, by trying to find politicians who are more representative or mirror their electors suggests that effectiveness is reducible to what social characteristics councillors or Members of Parliament share with their constituents, rather than what they do.

The calibre of local councillors has been criticized periodically, a charge traditionally directed against working class candidates (Stanyer 1976).

However, an assortment of factors has emerged in recent years which suggest that all political parties face special difficulties recruiting high-quality and well-qualified candidates. The social status of being a councillor has little or no attraction. Social change, such as the decline of local élites, with high levels of commitment to their civic responsibilities has interlocked with increased career and employment pressures. Public duty as a local councillor now actively competes with other opportunities, particularly non-elected public bodies, where often the reimbursement is better and there is no requirement to submit to endorsement by political party nor selection by the electoral process.

A further difficulty is that party competition within local government is seriously flawed. At the beginning of the 1990s, Conservative local government suffered an extraordinary series of defeats. Even if the Conservatives regain sufficient support to challenge Labour as the major party of local government, this will take several years, during which time many voters will be without effective representation in their local authority. The collapse of Conservative local government has contributed to an increase in one-party local government. Several other factors have also contributed to the increase in one-party local government. First, the electoral system is believed to be unfair. Under the current system, parties will not be awarded representation equal to their electoral support (Twigg and Adonis 1997). Second, the current system of local government rests on the assumption that party competition provides the incentive for scrutiny. However, in many authorities, opposition parties are marginalized from effective scrutiny as they are so few and are overwhelmed by the majority party. Lastly, historically, Labour groups on councils have been answerable to party control and rigorous group discipline which dissuades active scrutiny from backbench members (Leach 1998).

It may be argued that the local government's democratic legitimacy is also under pressure from intervention into its affairs by national government. The activities of local government have been of major interest to business and government. Previously, it could be claimed, that central government was too busy managing 'high politics' to be interested in the affairs of the localities (Bulpitt 1983, 1986, 1989). However, the activities of local government are no longer confined to the locality. Now political parties use their position in local government to boost their national standing. Moreover, the nationalization of local politics allows government to justify direct intervention in the management of the localities by reference to the national interest, even if local opinion may oppose such intervention.

So far, the government has declined to include in their modernization project steps which would improve the calibre of councillors, for example, by improving their allowances or providing statutory time of work. It has also dismissed calls to make local government more representative by introducing some form of proportional representation. Indeed, the consultation document *Local Democracy and Community Leadership* categorically rules out

any change to the electoral system, arguing that in their view, it is not a solution to the problems currently facing local authorities (DETR 1998a).

Indeed, relaxation of the restrictions on local authorities and increased powers have only been proposed in the Beacon Status scheme. Thus, proposals to improve local democracy are restricted to either changes to the electoral process or reform to the process of participation in the decision-making process. Reform of the electoral process means mostly minor operational matters, such as improving access and non-traditional locations for polling stations – for example in supermarkets. However, proposals to increase participation are more far reaching and challenge traditional forms of representative democracy demonstrated by the government's intention to introduce a new statutory duty on local authorities to consult with their localities on the effectiveness of service delivery. However, as several commentators have acknowledged, participatory democracy should not replace representative democracy and should be viewed only as a useful complement (Whitehead 1997).

The government argues that innovation in democratic practice may contribute to the growth in citizenship awareness and enhance local government's accountability to its constituency. Many local authorities now regularly use opinion polls to test citizens' preferences. More controversial are proposals to permit local authorities to hold referendums, for example to test public preference for service reductions and council tax increases. However, referendums risk reducing complex policy questions to binary opposites and hardening attitudes. Referendums are ideal for testing opinion on matters which are truly non-partisan and have significance to most of the constituency. Over use of referendums may undermine the process of government. Moreover, the notion that governments, whether local or national, should resort to frequent use of referendums appears to imply that political leadership is vacillating and risks reducing the importance of elections (Seyd 1998).

Further innovative democratic practices also include the greater use of participatory forms of democracy including deliberative forums (Hall *et al.* 1998). Deliberative democracy is appealing. It suggests that all opinions will be heard fairly and no one will be excluded. Deliberation has the potential to enhance democracy and to provide a practical demonstration of civic behaviour without the corrosive effects of party politics. Yet, there remain some questions about the strength of deliberative forums to overcome the difficulties of exclusion evident elsewhere in society. Simply, some people's voices are heard less or not at all. Factors such as gender, education and ethnicity lead to exclusion. While deliberative forums may ensure participating citizens reflect the community, there remains the question of whose voice predominates. Some opinions are considered more worthwhile or weighty than others. Controversial questions are rarely politically neutral. Even if attempts are made to make statements neutral and detached, to be understood, questions on the purpose of government or the distribution of

public goods, can only be in the context of existing social and political concepts. Whether by deliberative forums or other process, consultation risks merely framing questions that reflect the dominant discourse. Shaping discussion within the dominant discourse, makes several prior assumptions and may prevent counter hegemonic discourses from being heard (Sanders 1997).

In practice, whether quantitative or qualitative methods are used, consultation by local authorities will be within the context of existing policy and assumptions (Cochrane 1996). Consultation by local authorities, however it is carried out, runs the risk of merely asking the question to which the answer is already known. Consultation may also be used by politicians as a method to legitimize their actions. However, political actors who decide for others have to be accountable. An essential element of accountability is listening and consulting. Yet, politicians who consult may ignore or only accept partially the opinions they have been offered. Consultation by local authorities may result in producing unrealistic expectations, thus leading to even greater dissatisfaction. Essentially, there is a dilemma in all forms of consultation: on the one hand, those who consult require only confirmation of their actions or advisory information; on the other, those who are consulted often expect their views to be binding on their representatives.

Leadership, community and democracy

At the operational level of the modernizing project, those reforms which seek to achieve a more effective and immediate decision-making process may conflict with plans to improve democratic participation in local government. As decisions on the allocation of expensive and scarce public goods are rarely uncontested, extensive consultation and consensus building, which is often a protracted and time-consuming process, is required to ameliorate disagreements. Failure to settle differences in allocative decisions equitably risks deepening social cleavages and extends further social, political and economic exclusion. The community leadership role proposed for local authorities implies that there are common interests which transcend all spatial and interest derived differences. However, few localities display such high levels of homogeneity. By streamlining the decision-making process, the opportunity for those who disagree to oppose new policies will be curtailed. Although, opposition and backbench councillors will have the opportunity to scrutinize the actions of the Cabinet, with few meaningful sanctions, executive Cabinets could bring forward controversial policies to be decided and implemented without being checked other than by periodic elections. For executive mayors, who will serve a four-year term of office, electoral sanctions will be even less effective.

CONCLUSION

The Labour government's project to modernize local government seeks to reform the political decision-making process and to improve the delivery

of local authorities' services. The government argues that once it has been modernized local government will be responsive and accountable to their constituencies and will have a new community leadership role. Within the government's proposals several themes are discernable. First, it is possible to conclude that the modernizing project is a hierarchical model of reform, that insists councils modernize within a framework proposed by government. The project may also be described as managerialist, emphasizing the importance of service-level agreements and performance indicators that will inform local electors and improve the accountability of local authorities. Second, the Blair administration has demonstrated that central regulation and control by the centre of local authorities will continue, although indications suggest that the government intends to be more pre-emptive than the Conservatives when dealing with councils. Lastly, the government's intention to place new community leadership responsibilities on local authorities suggests that New Labour also retains a commitment to a revised doctrine of localism. However, there are tensions between these elements and how they are resolved will initially depend on how councils respond to the government's agenda and whether Labour can retain the goodwill of local government practitioners and other advocates of change.

At the operational level, the modernizing project seeks to provide local authorities with strong leadership, community responsibilities, whilst also revitalizing local democracy. However, expectations of democratic renewal and new opportunities for community participation may not fit comfortably with notions of strong leadership. Existing stakeholders have much to lose from the modernizing local government project and there are few signs, other than veiled threats, that government is developing strategies to deal with existing vested interests clustered around political parties. Indeed, some interpretations of Labour's modernization project suggest that party politics is outdated and of little relevance. If this is the case, it indicates Labour's unwillingness to acknowledge openly that local government, in common with other political arenas, acts as the locus for the arbitration of political differences. It is also possible to argue that the government's reluctance to acknowledge the presence of party politics in local government is a re-articulation of the historical view that party politics are inappropriate in local administration.

By adopting the tag of 'New Labour', the party has made a statement about itself and its past. Government by 'New Labour' suggests that its modernization project will cause changes to local government that are radical and fresh. Whether the modernization project is a significant departure from previous models of local government or the latest articulation of long-standing traditional views remains open to interpretation. For the moment, the hegemony of the modernizing local government project provides a sufficiently robust foundation upon which to build a new model of local government. However, the success of its implementation will depend on how the internal tensions of the project are managed.

ACKNOWLEDGEMENT

An earlier version of this paper was presented at the PSA Urban Studies group meeting in September 1998. The author is grateful for the comments of participants on that occasion, to anonymous reviewers and to the editor of *Public Administration* and those who read previous drafts of this paper: Alan Whitehead, Sarah Wixey, Alex Warleigh, Rebekah Southern and John Kelly.

REFERENCES

- Ben-Tovim. 1998. 'Local democracy and the local state' in LGMB, *It's our party. democratic problems in local government*. London: LGMB
- Blair, T. 1997. 'Next on the list: clean up local government', *Guardian* 3 Nov
- . 1998. *Leading the way: a new vision for local government*. London: IPFR
- Boddy, M. and C. Fudge. (eds.) 1984. *Local socialism?* London: Macmillan
- Boyne, G. 1998. 'Public services under New Labour: back to bureaucracy?' *Public Money and Management* 18, 43-50.
- Bulbutt, J. 1983. *Territory and power in the United Kingdom: an interpretation*. Manchester: Manchester University Press.
- . 1986. 'The discipline of the new democracy, Mrs Thatcher's domestic statecraft', *Political Studies* 34, 19-39
- . 1989. 'Walking back to happiness? Conservative Party governments and elected local authorities in the 1980s' in C. Couch and D. Marquard (eds.), *The New Centralism*. Oxford: Blackwell
- Clarke, M., H. Davis, D. Hall and J. Stewart. 1996. *Executive mayors for Britain?* Birmingham: School of Public Policy University of Birmingham.
- Cochrane, A. 1996. 'From theories to practices. looking for local democracy in Britain' in D. King and G. Stoker (eds.), *Rethinking local democracy*. London: Macmillan.
- Coleman, P. 1998. 'Changing of the old guard', *Local Government Chronicle* 14 Aug.
- Commission for Local Democracy. 1995. *Taking charge: the rebirth of local democracy*. London: CLD.
- Corrigan, P. 1998. 'X Marks the stop for reform', *Local Government Chronicle* 24 Apr
- DETR. 1998a. *Modernising local government: local democracy and community leadership*. London: DETR TSO.
- . 1998b. *Modernising local government: improving services through best value*. London: DETR TSO
- . 1998c. *Modernising local government: improving local financial accountability*. London: DETR TSO.
- . 1998d. *Modernising local government: capital finance*. London: DETR TSO.
- . 1998e. *Modernising local government: business rates*. London: DETR TSO.
- . 1998f. *Modernising local government: a new ethical framework*. London: DETR TSO.
- . 1998g. *Modern local government: in touch with the people*. CM 4014. London: DETR TSO.
- . 1998h. *Modern local government: guidance on enhancing public participation*. London: DETR TSO
- . 1999a. *The beacon council scheme: how will it work?* London: DETR TSO.
- . 1999b. *Local leadership, local choice*. CM 4298. London: DETR TSO
- Dowding, K. 1996. 'Public choice and local governance' in D. King and G. Stoker (eds.), *Rethinking local democracy*. London: Macmillan.
- Pilkin, G. 1998. 'Starting to modernize', *Municipal Journal* 7 Aug.
- Foster, C.D. and F.J. Plowden. 1996. *The state under stress*. Buckingham: Open University Press
- Frazer, E. 1996. 'The value of locality' in D. King and G. Stoker (eds.), *Rethinking local democracy*. London: Macmillan
- Game, C. 1998. 'What's the use of voting', *Local Government Chronicle* 26 June.
- Gray, J. and D. Willetts. 1997. *Is conservatism dead?* London: Social Market Foundation
- Gyford, J. 1991. *Citizens, consumers and councils: local government and the public*. London: Macmillan
- Gyford, J., S. Leach and C. Game. 1989. *The changing politics of local government*. London: Unwin Hyman
- Hall, D., B. Dunstan and M. Hobson. 1998. *Democratic practice. a guide*. London: LGA/LGMB.
- Hambleton, R. 1996. *Leadership in local government*. Occasional Paper 1. Bristol: Faculty of the Built Environment UWE.

- . 1998. 'Strengthening political leadership in UK local government', *Public Money and Management* 18, 41–51.
- Hodge, H., S. Leach and G. Stoker. 1997. *More than the flower show. elected mayors and democracy*. London: Fabian Society.
- Leach, S. 1998. 'The democratic deficit in local government' in LGMB, *It's our party: democratic problems in local government*. London: LGMB.
- Leadbeater, C. and S. Goss. 1998. *Civic entrepreneurship*. London: Demos/Public Management Foundation.
- Leese, R. 1998. 'Preparing for change', *Municipal Journal* 18 Dec.
- LGMB. 1998. *First national census: survey of local authority councillors in England and Wales in 1997*. London: LGMB.
- Loughlin, M. 1996a. *Legality and locality. the role of law in central-local government relations*. Oxford: Clarendon Press.
- McGovern, S.J. 1997. 'Mayoral leadership and economic development policy: the case of Ed Rendell's Philadelphia', *Policy and Politics* 25, 153–72.
- Miller, W.L. and M.B. Dickson. 1996. *Local governance and local citizenship: a report on public and elite attitudes*. London: ESRC/University of Strathclyde.
- Power, M. 1997. *The Audit Society: rituals of verification*. Oxford: Oxford University Press.
- Prior, D., J. Stewart and K. Walsh. 1995. *Citizenship. rights, community and participation*. London: Pitman.
- Rao, N. 1998. 'Representation in local politics: a reconsideration and some new evidence', *Political Studies* 46, 19–35.
- Rhodes, R.A.W. 1992. 'Local government finance', in R.A.W. Rhodes and D. Marsh (eds.), *Implementing Thatcherite policies*. Buckingham: Open University Press.
- Sanders, L. 1997. 'Against deliberation', *Political Theory* 25, 347–76.
- Seyd, P. 1998. 'In praise of party', *Parliamentary Affairs* 51, 198–208.
- Stanyer, J. 1976. *Understanding local government*. London: Martin Robertson.
- Stewart, J. 1989. 'A future for local authorities as community government' in J. Stewart and G. Stoker (eds.), *The future of local government*. London: Macmillan.
- . 1996a. 'Appointed boards and local government', *Parliamentary Affairs* 48, 226–42.
- . 1996b. *Further innovation in democratic practice*. Birmingham: School of Public Policy Occasional Paper 3. University of Birmingham.
- . 1998. 'Looking after ourselves', *Municipal Journal* 10 July.
- Stewart, J. and G. Jones. 1999. 'Errors of reform judgement', *Local Government Chronicle* 12 Feb.
- Stewart, J. and K. Walsh. 1992. 'Change in the management of public services', *Public Administration* 70, 499–518.
- Stoker, G. (ed.) 1999a. *The new management of British local governance*. London: Macmillan.
- . 1999b. 'Politics needs new legitimacy', *Local Government Chronicle* 5 Mar.
- Stoker, G. and H. Wolman. 1992. 'Drawing lessons from the US experience: an elected mayor for British local government', *Public Administration* 70, 241–67.
- Twigg, S. and A. Adonis. 1997. *The cross we bear: electoral reform for local government*. Discussion paper no. 34. London: Fabian Society.
- Walsh, K. 1995. *Public services and market mechanisms: competition, contracting and the public management*. London: Macmillan.
- Whitehead, A. 1997. *By the people, for the people: Community governance: reconnecting representation and participation*. London: LGIU.
- Wilson, D. and C. Game. 1998. *Local government in the United Kingdom*. 2nd edn. London: Macmillan.

Date received 14 October 1998. Date accepted 30 November 1999.

EUROPEAN FORUM



CONTRACT REGIMES AND REFLEXIVE GOVERNANCE: COMPARING EMPLOYMENT SERVICE REFORMS IN THE UNITED KINGDOM, THE NETHERLANDS, NEW ZEALAND AND AUSTRALIA

MARK CONSIDINE

Contemporary debates concerning the nature of 'new governance' typically focus upon the shifting roles played by bureaucracies, networks and markets in the provision of public services (Kooiman 1993; Ormsby 1988). At the core of these recent changes we find a strong interest in having private agents deliver public services. Sometimes this is expressed as privatization and in other cases a 'mixed economy' of public and private participation may be devised (Williamson 1975; Moe 1984).

In this study a number of central elements of neo-liberal public management are brought together in a single focus upon the 'contract regime' in order to examine the extent to which single initiatives might combine to produce a recognizable system of governance. Such an institutional form may then be more carefully specified and its impact compared in different governmental systems.

Using a four-country comparison of employment service reform the study shows that distinctions based upon degree of privatization do not adequately explain regime types whereas distinctions based upon 'compliance-centred' or 'client-centred' forms of contracting are more powerful. The type of reflexive interaction between different elements or levels of contracting also explains country differences.

Contemporary debates concerning the nature of 'new governance' typically focus upon the shifting roles played by bureaucracies, networks and mar-

Mark Considine is Associate Professor in the Department of Political Science at the University of Melbourne

Public Administration Vol 78 No. 3, 2000 (613-638)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

kets in the provision of public services (Kooiman 1993; Ormsby 1988). This proliferation of new models and novel techniques may yet prove to be the most significant set of structural changes to the public sectors of Western countries since the 'merit and tenure' innovations more than one hundred years ago. Equally we might wonder how much practical effect these proposals will have and how widely the predicted impacts will be felt.

At the core of these recent changes we find a strong interest in having private agents deliver public services. Sometimes this is expressed as privatization and in other cases a 'mixed economy' model of public and private participation is defined. What is apparently common across such systems is a belief that public bureaucracy can no longer cope with the pressures being put on it by budget restraints, higher client expectations and claims of inflexibility by interest groups and political élites. This turn away from bureaucracy is buttressed by the emergence in public discourse of economic theories of organization which draw on agency theory and transaction cost theory in order to justify quasi-market systems of service delivery (Williamson 1975; Moe 1984).

In this study a number of central elements of the economic theory of public management are brought together in a single focus upon the 'contract regime' in order to examine the extent to which single initiatives might combine to produce a recognizable system of governance. Such an institutional form can then be more carefully specified and its impact compared in different governmental systems.

The central claim of the research is that the contract regime is built by different contract instruments being deployed in four dimensions of the public sphere and which, when combining their effects, together provide opportunities for governments and other interests to develop whole sets of interactive or reflexive institutions. Put another way, combinations of contracts at different levels of the public sector generate cumulative effects. These interact with local histories and traditions to produce a number of hybrid arrangements and impacts. This process is seen to be reflexive to the extent that one level or instrument of contracting or agreement-setting creates conditions which shape the character of other contracts or agreements in the system (Gardener and Ashby 1970; Beck 1992).

THE CONTRACT REGIME

One important common characteristic of public management reforms which seek to follow the contracting path is the resort to formal agreements as a central means to identify tasks, goals and costs. Public institutions are understood as 'bundles of implicit, spoken, and written contracts' (Ormsby 1998, p. 382) and 'organizations can be regarded as stable networks of contracts which govern transactions, enabling coordination and control' (Ciborra 1996, p. 132). In this context the decision to involve non-profit and for-profit organizations in the delivery of services is motivated by the search for least-cost, best-performance options (Williamson 1975).

For the purpose of analysis we can consider the new interest in markets, quasi-markets and the mixed economy of service delivery as constituting a defined 'regime' for the governance of public programmes. That is, the process constitutes a development which is more than simply a marginal increase in the age-old habit of having some public services put out to tender. In this sense we can define a governance regime as Krasner (1983, p. 2) uses regime to describe an intervening variable between states, events and individuals,

Regimes can be defined as sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge Principles are beliefs of fact, causation, and rectitude. Norms are standards of behaviour defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action. Decision-making procedures are prevailing practices for making and implementing collective choice.

This also follows Smith and Lipsky's (1993, p. 43) notion of the 'contracting regime', as one indicating 'a set of stable relationships that transcend simple common practice and reveal assumptions about the way the world works.' What are the relationships we would wish to include? There appear to be five levels commonly available for contracting in public programmes. The contract regime thus includes some or all of the following elements:

- social and political contracts in which governments, key interest groups and major social institutions publicly adopt a common programme which includes a defined outcome;
- employment contracts with heads of agencies, managers and staff which specify tasks and outcomes;
- public agency contracts or purchasing agreements;
- organizational contracts with public institutions, firms and non-profits which promise payment for delivery of services to a defined population;
- client contracts which oblige clients to meet defined obligations in order to qualify for assistance.

Not only do governments select from this possible range of relationships in order to construct particular reforms, but the technique for producing contracts may vary in a number of important ways including purchaser-provider splits, quasi-markets and preferred provider models (Smith and Lipsky 1993; Considine 1996).

It can readily be seen that clients are centrally implicated in these forms of restructure. Not only may they be asked to sign contracts and other agreements, but a central justification for the contracting regime itself is that services will become more responsive to clients and that they will be able to exercise greater choice.

In the growing literature on these reforms the major preoccupation of

theorists and empiricists has been the impact of contracting regimes upon government itself. Much has been written about the perils of commercial-in-confidence agreements, the diminished power of Parliament and the dubious role of ministerial responsibility in a world governed by quasi-market forces. For example, in recent studies such as Walsh (1995) and Christiansen (1998), concerns are raised about effects upon ministers and senior managers. The set of cases collected by Le Grand and Bartlett (1993) provide important evidence of change at the level of organizations, showing that quasi-markets pose unequal challenges to service delivery groups with different resource bases. The study by Smith and Lipsky (1993) already cited also raises important questions about the plight of non-profit groups caught up in ever-tighter forms of contract specification.

A number of studies have also alerted us to the fact that certain forms of contracting also impose new burdens on government, particularly in regard to the specification of performance, transparency of agreements, transition costs, commercial-in-confidence problems and the extent of legal accountability of third parties involved in public service (Boston, Pallot and Walsh 1991; Alford and O'Neill 1994).

Each of these approaches offers us a view of the contract instrument as an important and perhaps problematic new aspect of public life. However, much less attention has so far been given to the cumulative features of contract regimes and the impact which local institutions and traditions may have upon the way an overall model is implemented and hybridized. Theoretical work has also suffered because the speed of change has made it difficult for research to keep pace. As a result theoretical models have tended to focus mainly on critiques of organizational economics and on efforts to re-fashion theories of parliamentary accountability. Clearly there is a place for a comparison of contract regimes which attempts both to understand different empirical dynamics and also to relate these to more general propositions concerning institutional effects.

EMPLOYMENT SERVICES AND CONTRACTING

These two objectives are studied by selecting a single policy field – employment services – and by comparing that field across four systems.

Employment services are a core element of all advanced welfare states. They do not involve professional monopoly, high technology or the use of strong coercion and for these reasons might well be regarded as typical of the average class of administrative services normally delivered by traditional bureaucratic systems.

The four countries chosen have in common their long traditions of welfare state liberalism and their status as advanced capitalist countries with a relatively wide range of possible institutional choices. In all cases responsibility for these services resides with the national government. Finally in all cases this service area has recently been the subject of energetic reform using some form of contracting.

The employment services field includes several institutions and a number of common programmes. Typically, governments collect taxes and insurance payments which are then provided as income support to unemployed job seekers. To assist them find work, governments also provide job-counselling services and establish labour offices where job seekers can obtain information about vacancies and other opportunities. Finally, the employment service also provides various forms of training and work experience to assist job seekers in meeting employer expectations.

The methodology of the study involved a study of contracting within a single policy field but across four systems. By holding the policy field constant we may hope to see similar actors and issues in play and therefore to confine variations to what is most likely due to different traditions and alternative uses of contracting methods. The four countries considered here are Australia, Britain, the Netherlands and New Zealand.

These four have been selected from a larger group of countries engaged in reform because each has engaged in a recent process of systematic national reform using reviews, consultants and organizational change strategies to bring about a more effective and cost-efficient service delivery system. The four have all embraced important common commitments to performance management, contestability, transparency of costs and programmes and output sensitive forms of accountability. They have, however, adopted somewhat different approaches to the relationships between income support, job search and the provision of counselling and training. This provides a useful means for researching the way in which a common commitment to 'new governance' reforms may be filtered and embedded in different strategies at the front line level of service delivery.

At each level of the service delivery systems these policy makers in each country have made particular choices about the forms of public and private sector involvement that will be supported and in each case of private participation they have made choices concerning the degree of competition or co-operation between contracted agencies, including public agencies. Agreements and contracts govern the implementation of such choices in each system, thereby providing a central point of organization of new initiatives and therefore of research comparison.

During 1996–98 interviews were conducted with policy makers in each ministry or lead department responsible for the national employment service. Senior bureaucrats were asked the same questions concerning the motives for reform, the reasons why instruments were chosen over alternatives, the main objectives or problems being treated by the reform process and the perceptions of senior bureaucrats concerning the employment service and its recent performance. Matched interviews were conducted with senior managers in the four employment services, including three of the four chief executives.

In New Zealand and Australia the senior managers were re-interviewed to take account of reform processes which were not fully in place at the

time of the first interviews. A second interview schedule was used to gather data from local managers of employment offices, private companies, non-profit contractors and front line staff in a selection of agencies. Observation visits were also made to 19 local agencies delivering front line services to unemployed clients in the four countries. The research field work was conducted in collaboration with Jane Lakey and the Policy Studies Institute, London. The interviews were structured to obtain a map of the impact of reforms upon key relationships in the service delivery network. In each country these interviews were conducted in local offices and agencies where interaction with clients could be observed. The total number of interviews conducted was 57. Interviews were taped and, by agreement with the respondents, all quotation from front line staff is on a not-for-attribution basis.

The research questions which were of central significance to the study and which the interview and observation visits were devised to answer are given here. What do different networks of contracts between ministries, employment services, private contractors, staff and clients tell us about the institution we have defined as the contract regime? Does the use across systems of common contracting techniques suggest the emergence of similar institutions? Do competition, privatization, contracting-out and tendering tend to produce the same kinds of networks of relationships? Or, as the central hypothesis suggests, do techniques only create systemic effects in the cumulative (and reflexive) impact they have on key relationships? If so, which relationships are the important ones?

THE UK'S EMPLOYMENT SERVICE (ES)

In the UK Employment Service (ES) there is a precise system of contracts, agency agreements, performance targets and uniform, measured treatments among a formal federation of tightly structured public agencies in order to establish strong public control.

Government policy and administration in the employment field, since 1988, has been implemented via four civil service institutions. The two ministries responsible for assisting the unemployed are the Department for Education and Employment (DfEE) and the Department of Social Security (DSS). Each has its own cabinet minister. Following the introduction in 1988 of the 'Next Steps' reforms by the Thatcher government, service delivery divisions within these ministries were established as executive agencies with their own Chief Executive Officers (CEOs) and their own staff. The ES was established as an executive agency in April 1990, and the Benefits Agency in April 1991, making them part of the first wave of such changes. Senior officials in the ES report in interview that they have more control than when they were a division of the department. In particular they cite the new controls they exercise over the pay system as evidence of this.

While these agency officials remain civil servants and Crown employees, changes to the definition of their duties have made it easier for agencies to

adopt their own specific employment policies. These are somewhat different from those of the main civil service. For example, one of the main differences in this regard has been the implementation of performance pay for agency CEOs and for agency staff. These payment systems are linked directly to the achievement of stipulated performance targets. According to the government, the main virtue of the agency arrangement is 'the principle of devolution to decision-takers nearest the action', and thus 'better service for people who rely on their services and better value for money for the taxpayer' (Portillo 1993).

All agencies are required to publish a charter that explains their commitment to customer service against which their performance may be judged. Each year the agency may seek a 'Chartermark' which reflects a consultant's view of the extent to which customer service objectives have been met. Those receiving the highest marks may then be granted special payments or other rewards. However, the role of clients in determining these grades is limited to selected forms of opinion polling in regard to such things as friendliness of staff, speed in receiving assistance and the numbers of processing mistakes made by staff.

The relationship between the minister, the DfEE and the ES is regulated by a series of mandated contracts. The most important of these is the Annual Performance Agreement (APA) between the department and the ES which establishes the numbers of services to be delivered, the major programmes to be conducted, the classifications of clients receiving programmes, and the outcomes or targets for each year. A Prior Options Review is also used to check every three years whether a service should be out-sourced. The ES reviews have not so far recommended significant private provision.

Ministerial bureaucrats advise their minister in regard to policy for the agencies and recommend targets for their annual performance. In theory it is then a matter for the agency leadership to determine how targets will be achieved. CEOs of agencies answer directly to the minister and may put their own case for budgets and targets. In practice in this sector the senior officials from the ministry and from the agency attempt to agree on such matters before submissions go to the minister. Joint meetings between the two organizations and the minister are the norm. Senior officials from the ministry claim that the ES CEO does not have his own separate formal meetings with the minister. While this is true, so far as official delegations are concerned, in practice the CEO has many informal opportunities to put his case and to make suggestions on policy matters.

Officials from the ES say that they enjoy greater influence under the agency arrangement than under their previous status as a division of the department. This is because they believe they have greater authority to control programmes, free of direct intervention by departmental executives. Departmental officials agree that they can no longer demand direct control over programme decisions, including staffing, but point out that they have

various other devices for setting precise requirements which force the agency to follow central guidelines.

Criticisms of the main programme, the Job Seeker's Allowance (JSA), by senior officials included the claim that too many of the programmes had been standardized by the new legislation, limiting the discretion of ES staff to shape services to suit local and individual needs. The DfEE, on the other hand, asserted that this was essential to their management of agency relations with the ES and the Benefits Agency. In other words the separated authority imposed by the Next Steps formula required a reduction of ES discretion in regard to client programmes, thereby limiting the flexibility of service delivery.

The review of performance conducted in mid-1996 reported interesting differences in the various interventions being managed by the ES. The most important was a re-emphasis of the conclusion of the previous year's Agreement review process which indicated that 'a wide range of measures should be available at each duration of unemployment so that ES advisers can refer claimants to provision according to individual needs' (DfEE 1996, p. 2). The purpose of this conclusion was apparently to grant advisers more discretion, but in fact the effect was to lift the standardized level of activity for claimants 'throughout the life of the claim'. Evidently the JSA approach has been to strengthen central control and standardization at the expense of adviser discretion, at least when that discretion might involve a relaxation of mandated activities such as interviews and referrals to standard programmes.

The department does cross the formal boundary set by the Next Steps formula by getting directly involved in operational matters. This is achieved through the Agreement process which ties funding to an explicit set of programmes. The department also achieves its own implementation agenda by inviting the ES to participate in pilot programmes which it funds and which help shape new government priorities. These are jointly managed and give the department the chance to plan the procedures and resource commitments that might later be needed for full implementation.

The senior policy people in the ES are officially confined to implementation responsibilities and therefore lack independent authority over the structure of the system. For instance the two-week signing and six-monthly interviews are key elements of the JSA process and are established by regulation and approved by Parliament.

Interactions with clients, including contracts, are scripted and all details are immediately fed directly into the computer's Labour Market System (LMS). Staff say this is much more flexible than the previous centralized, 'dumb terminal' system which had rather limited capacity. The LMS, on the other hand has a PC-based format which uses a windows format. Aggregate data can be extracted by the local manager and by regional or national office. Local staff cannot generate their own reports, however, and they have strict limits placed upon their capacity to down-load information.

The functioning of this system is driven by targets. Each of the key processes which bind clients and employment officials is subject to mandated government targets which are sub-divided down to each local Job Centre where they constitute the performance criteria upon which all staffing and other resource decisions are made. These three elements are enacted through the key phases of employment adviser-to-client relations – registration, signing, interviewing, programmes and sanctioning. The client contract (JSAG) is primarily used to move large numbers of clients through these standardized treatments. While advisers report that they give time and effort to the initial drawing up of the agreement, it is primarily a means of creating compliance and there are few opportunities or requirements for later modification or review of the contract.

THE NETHERLANDS' ARBEIDS VOORZIENING (AV)

In December 1994 a new Dutch moderate coalition government brought together employers and unions and structured a new agreement for jobs, social assistance and government spending. This 'packet' involved a trade-off between future wage rises and reductions in working hours, either reductions in weekly hours or in annual leave (Visser and Hemerijck 1997). For example collective agreements have seen annual leave increase to five weeks in many industries while average working hours for full time employees have been reduced.

These changes helped sponsor the Netherlands rapid employment growth during the early and mid-1990s. This growth now causes labour shortages in some sectors and here the new policy is to become directly involved in solving the employers problems. The Arbeids Voorziening (AV) takes the view that they must cater to all the employers' needs, and thus avoid the employer having to deal with more than one agency. This leads to the idea that the local Arbeids Bureau sub-contracts or enters partnerships to solve those employer problems which it cannot resolve internally. This is a model of co-production 'the basic premise here is not to provide the full service ourselves but to enter into cooperation with a view to achieving a win-win situation' (Keulen 1997).

The Netherlands also has a structured system for vocational training. The AV involves central government, employers and unions in national and regional boards to oversee these training institutes. At each regional level there are Regional Employment Councils which take responsibility for implementing training policy through their own network of training services. These 'social partners' are actively involved in defining the national qualification structure and the collective agreements which govern such things as training leave, employment of apprentices, etc.

The Employment Service (AV) is responsible for placing job seekers. It is now mostly concerned with disadvantaged people. It works with two private firms from the temporary work sector, START and Vedior. START began life as a government agency run by a tripartite board. It has since

become independent of government. Vedioir/ASB is a subsidiary of one of Europe's larger employment agencies, Vedioir International N.V.

The key to understanding the current strategy of the Arbeids Voorziening is the December 1994 agreement. Central government-directed cuts of 25 per cent in the budget of the employment service were introduced. This left the Arbeids Voorziening with an allocation of approximately NLG 1 billion. It was further agreed that there would be a reduction in the 'management expenses' part of the budget by NLG 85 million per year. 'The scenario sketched above results in a gradual reduction of the formation from 7,850 full time units as of 31 December 1994 to 6,950 full time units as of 1998' (Arbeids Voorziening 1996, p. 20).

It was agreed at the time that the service and its social partners would seek to promote 'a highly flexible labour relations' system together with major reforms in social security. Co-operation between public and private agencies was mandated, but 'not based exclusively on market forces but on statutory regulation' (Reimslag 1997, p. 1).

In selecting the two private partners the Arbeids Voorziening sought to share the burden of placing large numbers of its clients. It favoured only those companies with a national network of offices, and only those which had a clear commitment to the mission of the public agency and its disadvantaged clients. Not everyone agrees that the current model of two partners is fully appropriate. There is concern that European Law may be used to force the government to accept a wider range of partnerships. There is also a belief among some that the current system is too closed and lacks a competitive influence upon the Arbeids Voorziening.

The three organizations have now entered a further stage of innovative partnership in the establishment of a new special projects company, ASV. This is a private company owned equally by the three organizations. Its purpose is to offer combined services to social security and insurance firms, large employers, and special new developments. They agree that current clients remain with their existing employment agency, and new services will be split equally via ASV, a vehicle for sharing out new opportunities. This also offers a possibility of each company sharing from the skills of the other and helping create a unified employment service. In effect this constitutes a strategic alliance or business network.

The temporary work agencies take on the burden of recruitment for the employer and also assume responsibility for preparation of the worker. The temporary worker may remain in the employ of the temporary work agency while on out-placement. Later the employer may elect to enter into a direct contract. The obvious benefit of this system for the employer is that he or she has fewer responsibilities for the legal protection of temporary workers. Also important is the opportunity which this system provides for protecting disadvantaged job seekers from the adverse judgments of employers. Officials report that after approximately six months of unemployment, job

seekers are viewed by employers as being problematic. The temporary work model appears to provide a convenient way around this prejudice.

Staff at the Arbeids Bureau divide their time between five half days of client interviewing, and two half days of discussions with flexible work agencies, visits to clients at vocational training, and administration. The employment service uses some government funds and some funds raised from the insurance boards and the municipalities to provide certain extra services for 'distant from the labour market' clients. This mainly involves work experience programmes, retraining or refresher training.

These job seekers are transferred to a special programme run by the municipalities or community sector organizations where they do quasi-jobs, or jobs which attract a full subsidy. These 'labour pools' typically employ janitors and other service workers on normal pay in the 'collective sector' for an indefinite period. There is some disquiet in the service about the open-ended nature of these commitments.

The contract system for services in Holland is open ended and evolving. For example, the contracts with the two private firms involve a commitment 'for a number of years, that will be evaluated periodically', and contracts with vocational training centres are currently based on annual block purchases of places, but will soon 'realise a business-like purchasing relationship' (Keulen 1997). This is a key development which will indicate the future structure of the whole sector.

Vocational training is based on a 'flexible modular system' in which clients receive just enough training to get them a job with a known employer or in a known industry. This might mean two days, one half day per week, or several weeks. According to frontline staff, training is meant to be 'custom made' for the individual student and the future employer.

Further development of the Netherlands case in the past twelve months also indicates that 'market testing' of this public service is undergoing further refinement. Central government objectives set for the ArbeidsVoorziening seek to require more precise forms of profiling of clients being referred to supported forms of employment or to sickness benefits. The key to this development is the emerging relationship between the employment service and the social insurance agencies and municipalities whereby explicit contracts for the placement of clients are being negotiated. A large share of employment service resources is now dependent upon success in winning and servicing these contracts.

Interestingly, the client-level contract has not evolved in the same way as has occurred elsewhere. For one thing the Dutch agreements with clients are less likely to be seen as a means of controlling budgets or dealing with social security problems, although this is increasing as an issue. Contracts with social insurance companies provide a new form of negotiation in the Dutch system. There is also a higher likelihood that agreements will contain defined training opportunities rather than just job search motivation. This is also caused by the fact that the national agreements brokered by govern-

ment have so far attempted to preserve the objective of maintaining a high skill economy. Less pressure is put upon advisers to become agents of the social security system and in interview the advisers describe a work process which sees less of their time devoted to these eligibility and compliance issues. They are also more likely than others to move outside their own office, to take a role in negotiating with training agencies (rather than filling a defined course quota) and to have close relations with private agencies.

THE NEW ZEALAND EMPLOYMENT SERVICE (NZES)

New Zealand's reforms were clearly articulated in the State Sector Act 1988 and the Public Finance Act 1989. These set in place the characteristic emphasis of this reform framework; management empowerment, output measurement, deregulation of central personnel controls, the greater use of contracts for senior managers and the introduction of performance pay.

Following a review in 1988, the Department of Labour was split into five separate services with their own organizations. The employment assistance section of the Labour ministry became the New Zealand Employment Service (NZES) with its own General Manager. Like the other four, it achieved decentralized responsibility for its own programmes and budget. The restructure also resulted in the creation of a 'flat' hierarchy inside the NZES with only four levels of seniority.

From 1988 the NZ government instituted performance agreements with the Chief Executives (CEs) of all its agencies. This was a necessary step occasioned by the shift towards greater managerial responsibility and a sharper separation of ministerial and managerial powers. Boston *et al.* (1991, p. 110) argue that Chief Executive 'performance agreements have become an accepted, important, and increasingly sophisticated accountability device within the public sector in New Zealand.' These agreements have no precise statutory authority, but rest instead upon cabinet instructions and the efforts of each minister.

The output agreements express the main activities of the NZES in the form of expenditures against numerical outputs for client services and against dates and deadlines for services provided for the minister. For example, the 1996/97 Agreement provides for the NZES to complete 17,100 Job Action Interviews with priority job seekers and 12,000 workshops for this group. This forms part of the \$72 million allocated to 'Job Seeker Services'.

Perhaps the most problematic effect of this first set of changes was the effect of this programme-centred approach upon creating a new kind of rigidity. While activities within the organization certainly became more results-oriented, the definition of what constituted a good result was largely based on throughput. A client going on to a training programme and then returning to the unemployment roll counted as a positive placement. Local centres responded by filling quotas as fast as they could, regardless of the ultimate outcome for the client.

Programmes and their targets were highly political and their implementation was variable. As one senior official put it: 'We really could not tell why programmes seemed to be popular and crowded in one area and almost empty in another similar locality. It just seemed to be a matter of what the local office was pushing at the time ... that in turn seemed to be largely a matter of luck, ignorance and ease of administration' (Project Manager, Wellington 1996). Employment advisers reported the same patterns, preferring a standard repertoire of programmes and being reluctant to take up new programmes if the criteria were too complicated. A typical example from the interviews was: 'You don't want to be getting yourself and the client tangled up in administrative problems and may be not getting accepted or getting someone further up telling you (that) you didn't read the guidelines' (Interview, Wellington 1996).

Influenced by public concern over rising long-term unemployment and reduced social cohesion, the National government announced the formation of a Prime Ministerial Task Force on Employment to be convened in early 1994. The Task Force reported in May 1994. At the centre of the proposals was a recommendation that by the year 2000 the long-term unemployed be guaranteed work, training or education. This was deemed to apply to all those registered as unemployed for more than 26 weeks.

Thus by 1997/98 it was also proposed that all the long-term unemployed should be involved in 'individualized assistance', and there were also particular programmes suggested for Maoris, Pacific Islanders and for youth. Among many criticisms of existing programmes the Task Force singled out the futility of sending people to programmes which did not work well and which were not monitored. Their reports indicated both that clients were badly served by programmes which were simply filled on a 'target number' basis, and they objected to the fact that the effects of most programmes were not evaluated. Barely concealed within these criticisms was an indictment of much of the corporate management system which had driven organizations to become highly efficient at managing their throughput but had caused a serious loss of focus so far as client needs were concerned. 'Many unemployed people say they feel like pinballs being ricocheted around an inhuman machine. Their individual needs aren't recognised, their strengths are left untapped' (Task Force 1994, p. 6).

The alternative to this universal processing model was viewed as one in which the specific attributes of clients would serve to trigger different levels of intervention and forms of intervention which would activate clients through intensive contact. The methodology proposed to treat this group was termed the 'structured stair-case approach', or 'stair casing' (Task Force 1994, p. 23). This was later amplified by NZES project teams to become Individualised Employment Assistance (IEA). The model drew explicitly on Business Process Re-engineering methods brought into the organization in late 1995 by consultants from Deloitte, New Zealand.

The new model used the client file as the basis of all information storage

and in place of the mainframe system a network of PCs with flexible windows-style software were to be ordered. Employment advisers were defined in this system as the key link or node in a dual track in which both a planning role and a selling role are created. The former includes the development of a work plan with the client and steps to overcome barriers. This contract with the client is premised on the offer that the NZES will fulfil its side of the bargain by providing intensive support to the client. This is primarily expressed as a willingness to provide personal support through interviews, but it also includes access to some programmes and extra benefits to facilitate the return to work.

The selling role was defined as a method for targeting opportunities, establishing the needs of these providers and then selling the available applicants to employers. A strong emphasis is given to the role of the adviser as broker of deals between these two processes. Both client and employer or trainer need to be convinced, supported and given resources to achieve a satisfactory result. Advisers are defined as the 'process manager' who links these two tracks to a common purpose.

Evidence from interviews show a significant change in work at the local level. Advisers developed wider contacts with other agencies, including training contractors. However, the contracts with clients were routinized and served the purpose of drafting job seekers into job motivation programmes and a regime of regular interviews which they might not otherwise have agreed to undertake. In New Zealand and the UK this regime of interviews was widely regarded as a form of pressure on clients to find work 'or put up with having to come down here and be re-interviewed every few weeks' (Frontline Adviser, Wellington 1996).

Because the contract system governing the chief executive is the basis of the budget, and because this is explicit about which kinds of interventions it will fund in any year, advisers must meet local requirements to fill existing places in interview and training programme vacancies. A significant amount of time is therefore spent keeping clients motivated to perform these administrative duties at peril of losing benefits.

However, the independence of the NZES also means that responsibility for sanctioning clients is less controlled than in the UK system. Much of the performance of the intensive assistance system therefore relies upon the skill of advisers, their discretion and their use of new information technology. Unfortunately these resources have received less government attention than the targeted elements of the system with the result that progress towards flexible treatment of clients has been far slower than was proposed by reformers.

THE AUSTRALIAN QUASI-MARKET

The Australian federal government White Paper (Government of Australia 1994) written by the Keating Labor government, initiated major changes to the national system of labour market assistance available for the unem-

played. New structures for negotiating industry policy, technology support, strategic networking of firms and a host of other changes dominated implementation of the new approach. However, the most challenging aspect of the new system was undoubtedly the introduction of contracted case management of the long-term unemployed, defined in the Australian White Paper as a new client focus:

The emphasis will move away from processing large numbers of job seekers through relatively rigid national programmes. The key elements of the new strategy are an accurate assessment of the needs of job seekers and an intensive plan to assist disadvantaged people (Government of Australia 1994, p. 127).

The key to the delivery of this approach was stipulated as the harnessing of the private welfare and for-profit sectors – ‘Healthy competition will lead to service improvement’ (p. 127). In other words the existing government service would be restructured to create a competitive market for the servicing of the long-term unemployed.

Not only did the government view this as an appropriate model for delivering services to the most vulnerable sectors of the labour market, but leading policy makers also made it clear that this was an experiment in competitive welfare provision which might soon be extended to other parts of the federal social security system. Typical of the now standard theme is the Department of Education and Employment’s (DEET) claim that this new system was to be at the ‘cutting edge of the Government’s social policy agenda’ and a ‘unique merging of the Government’s microeconomic reform agenda and its social policy agenda.’ The new approach is also frequently contrasted with the weaknesses of the old welfare state with its ‘universal provision of a highly standardised and centrally controlled group of services’, said to result in a ‘traditional one-size-fits-all approach to service delivery’.

The new framework was established as follows: the Department of Employment, Education and Training (DEET) would continue to manage the system but its own Commonwealth Employment Service (CES) would lose its monopoly of service delivery of the long-term unemployed. The new DEET organization called Employment Assistance Australia (EAA) would compete for the public sector part of the new market and the independent regulator (ESRA) would license several hundred private providers to compete with EAA.

To establish a common system of service delivery the government initiated case management as the new methodology to be used by all providers. ESRA would license each provider to tender for a given number of clients, each classified according to their ‘degree of difficulty’. Each client would then be allocated to a particular official who would maintain all contacts between them and the system, would assess their needs, arrange

services for them and conduct interviews with this client according to a service plan.

For their part the clients would be entitled to select the case management agency they wished to work with, would then be obliged to enter into a Case Management Agreement with this agency, and would attend all interviews, courses and undertake all other activities deemed to be helpful. The case manager, including those from the private sector agencies, would be granted access to the client's file, to DEET funded training programmes, and would be authorized to recommend that the client have his or her social security payment suspended or terminated for any non-compliance with the case management process.

After the change of government in 1993 the conservative coalition outlined its own 'radical and comprehensive' reform (Vanstone 1997, p. 10) to follow a new \$1.7 billion tender round in late 1997. This model sought to focus services on job placement, to cut training programmes and to 'separate purchaser from providers and ensure that providers operate on the basis of competitive neutrality' (pp. 8–13).

In addition to further strengthening the private sector role, this model provided for the closure of the Commonwealth Employment Service (CES), the development of a new 'one stop' public agency called CentreLink and the creation of a new public competitor called Employment National. The CentreLink function would be limited to registration, classification and referral, while the other agencies would compete for job placement, employment advice and special assistance to disadvantaged clients. A new programme called the Community Support Program would be established to help clients deemed unable to benefit from the competitive system because of serious barriers to employment.

Bids by prospective employment agencies were received on the basis of price competition for basic job matching and the more simple forms of assistance (job clubs, etc.), but for the more costly services there was a published schedule of fees which were set according to the perceived degree of difficulty which a client would face in finding work. Fees were to be paid in instalments, the largest being due when the client had been in work for 26 weeks.

Although this new system has been in place since 1 May 1998 it remains in turmoil. The new computer system designed to link participants and to validate actions which justify fees was not functioning in time for the start of business and is only now resolving its problems. Referrals of clients from CentreLink to the contractors has been slow, to the point where some agencies have had to lay off employment advisers because of lack of work.

System designers have produced important dilemmas for public administration commentators and theorists. First, there is legitimate debate concerning the qualifications needed to become a contractor. A proven track record in the industry has evidently not been rated as highly as some believe it ought to be. Many previously successful agents were not re-contracted.

Many newcomers were given contracts on the basis of experience in other forms of business and as a result of impressive business plans and financial projections. Few controls have been used to check the qualifications of staff employed to work with clients. Bureaucrats responsible for the tender system have conflicting attitudes to quality control with some wishing to create process quality audits and others viewing the 'market' as its own form of quality control. That is, bad performance will be sanctioned by low returns.

Most important for our purposes the system remains ambivalent about the role of client choice. Clients are officially empowered to choose their own agency. This occurs once they have been classified by CentreLink as eligible for referral. At this point they are given details of registered contractors in their area and asked to make a choice. However there is no systematic publicity or education concerning the performance of these contractors to guide client choice. In part this is the result of the system's lack of a history. In part it is also a result of reluctance on the part of bureaucrats to publish performance figures which might be damaging to the prospects of agencies, or subject to legitimate dispute in court.

There are also related problems from a policy design perspective. Evaluation of the new system now depends upon gaining an understanding of the internal functions of several hundred private agencies who have strong incentives to guard their service delivery secrets. It will be difficult to say with certainty why some succeed and others fail. It is already proving difficult to bring employment advisers together for training because they believe they may reveal trade secrets and thus damage their future prospects.

In order to ration places in the new system, and thus protect the public budget, the government has kept control of the classification system through which clients attract higher and lower fees to their chosen agency. This creates a source of mistrust by agencies who believe their commercial futures are threatened by actions of local bureaucrats who might slow the rate of flow out of the unemployment queue in order to spread available fees across the whole system. The 'market' performance of different agencies is therefore filtered by non-commercial factors.

This system also requires special efforts to prevent fraud by contractors and collusion by bureaucrats. The exclusive reliance upon periodic payments which are released according to fixed performance milestones limits the government's capacity to examine the actual methodologies of service delivery agencies. In the words of one official, 'we do not know what we do not know'. That is, the levels of ignorance and risk have increased.

Contracts with clients have become less personalized and less focused upon personal aspects of the job seeker's profile, the task of gathering this information having been incorporated into a classification questionnaire. Contracts remain important but their function has shifted to a check on the compliance of contractors who must develop this agreement with clients as a means of satisfying the funding authorities. The contractors do not

commit resources to clients through these contracts but use them to 'motivate' clients to search more vigorously for work and to meet departmental requirements for payment.

DISCUSSION: MARKET-DRIVEN AND BUREAUCRACY-CENTRED CONTRACTING

In each country reforms subject key parts of the service delivery system to a comprehensive form of agreement making and contracting. The scope of this contract-based system of organization is summarized in table 1 where the five elements identified in the introduction are used. The language in each case is similar, with contracts being presented as opportunities to specify tasks, compare prices and link inputs to outcomes. Accountability is also viewed as a key attribute of the contract specification and compliance monitoring system.

These common characteristics do seem to indicate a widespread institutional shift across countries towards a new regime type. However, like the public bureaucracy it is replacing, the contract regime has evolved in somewhat different ways in each case. Even within the three supposedly similar Westminster-type systems this governance regime displays important differences. How are the apparent differences to be explained?

To begin with it is possible to compare 'market-oriented' and 'bureaucracy-centered' types within the contracting regimes of these countries. Australia and the Netherlands both appear to have embraced market-oriented systems by empowering private firms to deliver services to government organizations and direct to public clients. In the Australian case this includes stronger forms of competition as a means to set the price of such privatization. Despite the fact that they enjoy a strong reputation for privatization, the UK and New Zealand employment services actually provide examples of contracting which remains committed to the central role of the public service.

This observation serves as a useful caution against interpreting the ideological positions of governments as a template for contract regimes. The distinction between market and bureaucracy does not itself tell us enough about the way contracting develops into an institutional system or regime.

TABLE 1 *Contract regimes by five dimensions*

	Australia	Netherlands	New Zealand	United Kingdom
Socio-political contract or agreement	No	Strong	Weak	No
CEO contract	Weak	Weak	Strong	Strong
Public agency contract	Weak	Strong	Strong	Strong
Private provider contract	Strong	Strong	Weak	Weak
Client contract	Strong	Weak	Weak	Strong

The patterns of contracting in each case first need to be examined more closely. How strong are the agreements? How precise? How symmetrical are the negotiations which produce them, that is, what power do participants bring to the negotiating table? Can those involved negotiate and otherwise bring their own form of agency to bear? What does this tell us about the distribution of power within the particular governance regime?

In the UK there are strong but asymmetrical agreements governing the performance of the Employment Service. The ES actually has limited power to shape the service it produces, compared to others in the study. However, the contracts which govern senior managers and staff are comparatively weak. For instance neither performance criteria nor performance pay appear to make a major difference to individual work strategies. Rather the system seeks to avoid 'control loss' through binding clients to a fixed regime of treatments.

The contracts used to specify services for the client are rather one-sided. Dominant social security objectives, which the weakness of the ES agreement with government makes possible, often turn these contracts into compliance instruments. Relationships with other key agents such as training companies and employers are also not particularly potent so far as local staff and clients are concerned. Contracts at this level tend to be quota and output based, leaving less room for tailoring of the service. In fact it appears that the ES head office tends to 'do unto others' what is 'done unto them' by Whitehall in that contracting at lower levels seems to be more proficient at the management of central targets than at creating strong, flexible relationships. The primary form of reflexivity here is found in the way the strong compliance focus for clients acts as a means to carefully and closely control the work of ES staff.

In the Netherlands case the Arbeids Voorziening (AV) is restrained by, but benefits significantly from, a social contract between government, employers and unions. This provides some flexibility for the AV to negotiate its own agency agreement on the basis of a more complex mixture of objectives and a range of implementation strategies. This has not prevented cuts in AV resources nor criticisms of its overall performance. But such reactions have not led to loss of the central public sector role. A degree of reflexivity appears to exist in the willingness of key actors such as government, employers and unions to require the AV to respond to these pressures. The alternative, restricting their autonomy through tighter and more specific contracts, has been avoided. When problems emerge the typical response is to require the AV to form new, closer relationships with more agencies, with the municipalities and the social insurance agencies emerging as the latest in this long line of 'partners'.

Very important in the Netherlands case is a stronger form of contracting at the middle, or inter-organizational level. Performance objectives and forms of participation by social partners and social insurance companies are tailored at this level. There has been some movement back towards

centralization in the past five years, but this does not prevent a significant degree of operational control from developing at this local level. What this means for contracting is that the organization provides a point of modification and enhancement of agreements which enables regions to vary and therefore to innovate. This reduces the scope of senior bureaucrats to use the contract system as a one-way street in which only questions of control-loss are treated.

Contracts with clients are more likely to include a range of objectives and to include commitments which the AV will make to assist. Evidence from interviews suggests that advisers pay attention to client preferences and modify services to meet reasonable requirements. The staff have a wider menu of services from which to choose, this being the key to client empowerment. Less attention is given to punishing clients for failure even though the rates of sanctioning reported by advisers indicate no lack of interest in these problems. Rather the agreement with clients centres upon trade-offs and bargains which advisers broker with training agencies, the private employment firms and social insurers. Having established this form of flexible contracting with those who might otherwise be considered competitors, the AV now must manage a likely escalation of expectations by those outside the current regime wishing to be given entry.

In the New Zealand case the key contracts are at the political and senior bureaucratic level where the Ministers of Finance, Labour and Employment, their chief executives and the General Manager of the NZES negotiate an annual budget which specifies the programmes to be delivered. Unlike the UK, in New Zealand there is less effort to stipulate targets for all key transactions and instead this is left to the organization itself. Previous experience with targets has led the New Zealanders to distrust the more comprehensive method. New contracts at the most senior level attempt to specify outcomes and programme numbers and to leave managers to develop their own benchmarks.

The New Zealand reforms to their electoral system have also promoted a Task Force Review which generated some important cross-party support for efforts to assist long-term unemployed people. This 'social contract' is far weaker than the Netherlands case but nevertheless has given the NZES important room to manoeuvre, particularly in the pursuit of client-centred processes. The down side to this higher level of interaction between political agreements and service delivery priorities is that political change, such as alterations in the roles within the Coalition government quickly influence priorities within the employment service. In this case this limited form of reflexivity imposes risks as well as opportunities.

The NZES effort to restructure according to Business Process Re-engineering principles during 1996-7 resulted in contracts being subsumed beneath an information system which used common data and specified internal processes as the key management tool. This 'staircase model' therefore had a contract system supporting it, but a capillary network of infor-

mation flows, computer programmes and regular horizontal interactions between agents was viewed as equally important.

The difficulty with this highly innovative approach is that client-level agreements remained relatively weak. Advisers had a richer range of contacts than their UK counterparts and in some respects this resembled the Netherlands model. But these contacts did not include control over significant resources. Programmes were often tightly rationed from above in a manner which tended to make training a 'supply driven' function. An examination of sample contracts written for clients indicated an informal form of standardization made necessary by the limited menu available.

In Australia there was strong political competition at the national level rather than consensus and there has been no social agreement concerning the priorities to be pursued in regard to the unemployed. The Labor government favoured competition between a national public employment agency and more than three hundred private agencies regulated by an independent contracting authority. Clients were forced to sign contracts in return for a guarantee of improved service. However, this service did not reach the standard set for it by government.

The Conservative government cut Labor's programmes and also took back the public employment service's mandate, forcing it to compete for contracts in each region. New private agencies were also required to bid for their place in the system. Some groups of disadvantaged clients are required to sign contracts with the new agents but the services they are to receive are now less defined. Agencies may choose to spend their per-client funds on training, counselling or nothing at all, provided they meet the profit targets of their owners.

The Australian case sees the local or lower level contract with agencies elevated to the apex of the institutional system. In practice, however, this increases the rigidity of the service delivery system so far as clients are concerned. They have a greater number of agencies to deal with, increasing their transaction costs. The interactions they have with agents are less visible than before, increasing risks of under servicing. Being short-term, the contracts between government and its agents are prone to encourage creaming of clients because harder cases take longer to achieve success and involve risky investment costs.

In the two market-oriented cases, Australia and the Netherlands, the state's role is markedly different. The use of open tenders and competition in Australia results in a radically changed role for the public employment agency and for central bureaucrats. Policy instruments are more dependent upon the use of material incentives and the government can have far less involvement in determining the shape of the actual service being delivered. The 'transition costs' involved in establishing the system are also extremely high.

For clients the new systems provide contradictory pressures. They are relieved from standing in queues and have certain choices about the agent

to which they are assigned. During the initial phase of assistance they undoubtedly receive a more personalized service. However, in the Australian case their signed contract with the agency also obliges them to follow more restricted obligations.

The Netherlands example allows more services to be provided by advisers. Since they are not in open competition they may choose to use private agencies without fear of losing business. They may also use the services of training institutes without a specific cost to their own work unit. Although one might expect a country with far more job vacancies would choose not to invest heavily in training and might simply refer clients to available jobs, in this case higher levels of vacancies lift the standard demanded by employers and raise expectations among advisers. This priority for skill improvement also reflects the impact of the socio-political contract which set higher expectations in the Dutch case.

The limits of this approach are that fewer private agencies get to participate. Without competition there is perhaps less pressure to cut costs. What prevents this becoming a form of institutional collusion is the fact that the employment service must satisfy a number of critical and competent agencies outside its control. The employment ministry and social affairs bureaucracies set targets and negotiate the budget for the employment service. The social partners act as a direct brake on the operational plans of the employment service and chairs of the national board and regional boards take an active role in examining operational commitments. Their statutory obligations require these partners to resist any attempt by the employment service to engage in more obvious forms of self-serving. Increased contracting with the social insurance agencies also supports this process of institutionalized scrutiny and performance management.

CONCLUSIONS

Although all these systems employ contracts as a defining structure of service delivery and organization, and despite the fact that many of the same values and goals appear to motivate reformers, the contract regime displays two different implementations. At first examination it was thought that this might be based upon differences between market and bureaucratic relationships, i.e. in the degree of privatization. When the interactions between levels and elements of the contracting arrangements were examined the picture which emerged was one where the more important difference was between 'compliance based' versus 'client centred' contracting. Compliance-based regimes involve simple, target-based instruments which seek to fix a regime of relationships in place. These are top down and output driven and help governments, senior bureaucrats and managers to deal with 'control loss' problems of the type defined by proponents of the economic view of organizations.

In the UK case, for example, the sophisticated system of contracts used at both the top and the bottom of the ES has the effect of standardizing the

behaviours of both staff and clients. This allows a form of Whitehall micro-management of the service which would not perhaps be obvious in a reading of the formal, semi-independent status of the ES as a Next Steps institution. Contracts reorder the relationships which this formal decoupling first appears to have made more open-ended.

In New Zealand the greater flexibility granted to the devolved NZES enabled a client-centred approach to emerge. However, the strong limits on programme and training budgets imposed at the political level limited the effectiveness of the new approach. Like the UK this purchasing agreement enabled senior bureaucrats and politicians to re-establish close checking and detailed process definitions for the NZES. Numbers of clients to be treated, forms of training programme to be used, categories of clients required to undergo training and criteria for selection of clients were all defined in the agreement. Next to these purchase agreements are criteria for success and budget votes to fund the NZES and these further shift control back to the centre.

However, at the time the research was conducted, the NZES did not face the same degree of close checking that was found in the UK case although the models were in other ways very similar. The Task Force process had given the NZES a mandate to operate more flexibly in regard to the methods used at the local level. The Task Force's criticisms of 'pin ball' effects for clients had acted as a brake on senior bureaucrat enthusiasm for a more highly controlled deployment of each programme and intervention technique and the NZES General Manager had achieved a greater authority to use the re-engineering process as a means of devising new and unique ways to mix services at the local level.

This weaker interest in uniformity of service allowed New Zealand to experiment with some limited forms of client-oriented service delivery ('staircasing' etc.). Front-line staff were encouraged to make discretionary choices about the mix of activities to be undertaken, albeit within a rather limited range of mandated training and assistance programmes funded and defined by higher-level contracts.

The Australian case provided the contracting model where the greatest level of local reflexivity was promised. However very few mandated programmes were provided, particularly in the period after the change of government when training resources were severely cut by government. In theory, the contracted agencies were free to devise their own methods of dealing with each client provided they met targets for placements into work. However, because the government was concerned to regulate the flow of a large number to clients into a new industry composed of several hundred relatively small operators, pricing decisions encouraged agencies to adopt parsimonious, short-term interventions.

A wide variety of strategies for dealing with clients soon emerged but each had in common a concern to shift clients quickly through the agency and to spend effort only on activities likely to produce quick, short-term

outcomes. Contracts with clients became a key method of ensuring that they accepted the authority of the new agencies rather than forming the basis of a highly individualized job-finding strategy. These contracts soon served only as a means to gain compliance and trigger payments from government.

Only in the Dutch case, where resources for training and job subsidies were negotiated directly with the independent insurance agencies and municipalities, where relatively well-resourced, integrated training institutes existed, and where private temporary work agencies had incentives to provide extra vacancies, were the menus of services extended. In other words, this case provided the stronger form of local level reflexivity because demands for compliance were weaker and the range of potential treatments actually expanded with privatization.

Markets, competition and the involvement of private providers therefore produce different systems which cannot be reduced to a single contracting imperative. Certainly they do not create uniform pressures towards the emergence of a new class of consumers capable of acting on their own behalf. The key to the impacts of these devices appears to depend upon the way in which different levels of contracting create an enhanced network among government agencies, between front line staff and other key players (such as training providers or insurance organizations, social security departments, etc.). This is also the case where various local initiatives enjoy some form of society-wide agreement or *social concord* concerning unemployment. This appears to free the employment service to act more flexibly in regard to treatments, but in a defined manner so far as performance outcomes are concerned.

It is this reflexive effect which best explains the differences at the local level for officials and clients. Organization-wide contracts appear to be a necessary, but not sufficient condition for service improvement. These must be broken down into flexible, local or regional agreements to avoid target rigidity. Similarly, contracts with clients may create either the best or worst of outcomes, depending upon two conditions. First and foremost, the agents writing the contracts must have strong incentives (and resources) to create a menu of possible interventions and second, the staff who work directly with clients need sufficient authority to deal directly with the other key organizations responsible for the client's fate.

Private participation on its own explains only the extent of complexity, not the degree of flexibility. In Australia the risks of target failure are high so agencies behave conservatively. Learning is weak, training of staff is limited and service delivery practices are primitive. The main advantage of this market accrues to government as the 'sole consumer'. Costs are reduced, the sector has been de-unionized, some further aspects of responsibility for the unemployed can now be shared with 'market forces', and policy makers have fewer operational headaches to concern them. In the Dutch case private participation adds new options for all participants.

Although this works to the benefit of clients who are already attractive to employers, close contact between public and private employment advisers also generates important new information about the labour market and leads to joint venture activities which strengthen opportunities for all concerned.

Reflexivity in these systems therefore appears to be a property which resides in two levels of relationship. The first concerns the socio-political agreement to grant greater authority to all participants to seek new methods for assisting the most disadvantaged clients using innovative methods. The second level concerns the extent to which local services gain flexibility to form useful relationships with clients and other service providers. New Zealand and the Netherlands exemplify the benefits of this double-contracting and Australia and the United Kingdom show the limits of concentrating agreements upon neo-bureaucratic concerns over pricing, throughput and 'control loss' problems.

REFERENCES

- Alford, John and Diedrie O'Neill. 1994 *The contract state*. Geelong: Deakin University Press
- Arbeids Voorziening. 1996 *Employment service chooses the future*. The Hague, Netherlands. Arbeids Voorziening
- Barney, Jay B. and William G. Ouchi (eds.). 1986 *Organisational economics*. San Francisco: Jossey-Bass
- Beck, Ulrich. 1992. *Risk society, towards a new modernity*. Trans. Mark Ritter. London: Sage.
- Boston, J., M. Martin, J. Pallot and P. Walsh (eds.). 1991 *Reshaping the state: New Zealand's bureaucratic revolution*. Auckland: Oxford University Press.
- Christiansen, Peter Munk. 1998. 'A prescription rejected: market solutions to problems of public sector governance', *Governance* 11, 3 (July), 273-97
- Ciborra, Claudio U. 1996 *Teams, markets and systems: business innovation and information technology*. Cambridge: Cambridge University Press.
- Considine, Mark. 1996. 'Market bureaucracy: exploring the contending rationalities of contemporary bureaucratic reform', *Labour and Industry* 7, 1.
- Considine, Mark and Martin Painter (eds.). 1997 *Managerialism: the great debate*. Melbourne: University of Melbourne Press
- Department for Education and Employment (DfEE). 1996 *Review of effectiveness measures for the one year plus unemployed*. Sept., p. 2. Departmental Report. London: DfEE.
- Esping-Andersen, G. 1990. *The three worlds of welfare capitalism*. Cambridge: Polity
- Gardener, M.R. and W.R. Ashby. 1970. 'Connectance of large dynamic (cybernetic) systems: critical values for stability', *Nature* 228, 5273.
- Government of Australia. 1994. *Working nation: policies and program*. Government White Paper. Canberra: AGPS.
- Keulen, Theo. 1997. 'Netherlands Employment Service', *Interview*, Sept.
- Kooiman, Jan. 1993. 'Socio-political governance: introduction' in Kooiman (ed.), *Modern governance: new government-society interactions*. London: Sage.
- Krasner, Stephen D. 1983. 'Structural causes and regime consequences: regimes as intervening variables' in Krasner (ed.), *International regimes*. Ithaca: Cornell University Press
- Le Grand, Julian and Will Bartlett (eds.). 1993 *Quasi-markets and social policy*. Houndmills: Macmillan.
- Moe, T. 1984. 'The new economics of organization', *American Journal of Political Science* 28, 739-77.
- Ormsby, Maurice J. 1998. 'The provider/purchaser split: a report from New Zealand', *Governance* 11, 3 (July)
- Portillo, The Hon M. 1993. House of Commons Debates, 29 Nov, p. 340
- Reinslag, Wynand M.A. 1997. *Public and private employment services in the Netherlands: from co-existence to*

- private-public partnership*. Paper delivered to the Conference of Public Employment Services, Geneva, 20 Jan
- Smith, Steven Rathgeb and Michael Lipsky. 1993. *Non profits for hire. the welfare state in the age of contracting*. Cambridge, Mass : Harvard University Press
- Stein, R M 1990. 'The budgetary effects of municipal service contracting. a principal-agent explanation', *American Journal of Political Science* 34, 471-502.
- Vanstone, A (Senator) 1997. *Reforming employment assistance* Budget Paper. Canberra: Department of Employment, Education, Training and Youth Affairs
- Visser, Jelle and Anton Hemerijck. 1997. '*A Dutch miracle*' *Job growth, welfare reform and corporatism in the Netherlands*. Amsterdam University of Amsterdam Press
- Walsh, K. 1995 *Public services and market mechanisms. Competition, contracting and the New Public Management*. Houndsmills. Macmillan.
- Wettenhall, Roger. 1997. 'Public administration and public management: the need for top-quality public service' in Mark Considine and Martin Painter (eds.), *Managerialism: the great debate* Melbourne: Melbourne University Press.
- Williamson, Oliver E. 1975. *Markets and hierarchies analysis and antitrust implications*. New York: Free Press

Date received 12 August 1998. Date accepted 30 July 1999.

AT THE COMMISSION'S DISCRETION: CARTELBUSTING AND FINING INFRINGEMENTS UNDER THE EU'S RESTRICTIVE PRACTICES POLICY

LEE MCGOWAN

Although the last decade has seen an increased interest from political science in many aspects of EU competition policy the issue of cartelpushing has been almost totally neglected. This is a curious situation given that this remains by far the major aspect of the European Commission's activities in the competition arena. By merging the available, albeit extremely limited, public administration and policy studies literature with the legal literature the article endeavours to begin to redress the balance by examining the EU's restrictive practices policy. It pays particular attention to the European Commission and its Directorate General responsible for competition policy (DGIV) and their activities in their enduring war against cartels. At its core this article analyses the Commission's quasi-judicial authority in relation to cartel arrangements, identifies the extent to which the decision-making process is open to substantial degrees of administrative discretion within DGIV and makes specific reference to its policy on fining infringements.

INTRODUCTION

From a political science/public administration perspective competition policy has until recently been a rather neglected area of research interest. This reality was striking given the centrality of competition policy to market integration in both the Treaties of Paris (1951) and Rome (1957) and in terms of governance given the quasi-judicial autonomy accredited to the European Commission in the administration and the making of competition policy.

Generally, political science interest in the institutions and machinery of European competition policy occurs against the backdrop of the single market. The emergent literature has focused on four principal areas. The first examines the institutional framework (Doern and Wilks 1996; Cini and McGowan 1998) while another has focused on state aids (Hancher *et al.* 1993; Lavdas and Menindrou 1999; Stuart 1996). A third stream has analysed the liberalization of the public utilities, most notably telecommunications, energy and air transport (Gardner 1995; O'Reilly and Stone Sweet 1998) and a fourth has dealt with merger control (Bishop 1993; Bulmer 1994; McGowan and Cini 1999).

Lee McGowan is in the Institute of European Studies at The Queen's University of Belfast.

Public Administration Vol. 78 No. 3, 2000 (639-656)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

In contrast, restrictive practices policy has been almost totally overshadowed. This reality owes much to the wealth and complexity surrounding the legal and economic interpretations of restrictive practices (Goyder 1999; Whish 1993; Fishwick 1993; Neven, Papandropoulos and Seabright 1998). Nevertheless it is important for political science to tread directly into these economic and legal minefields as questions of governance and discretion are present at the very heart of the decision-making process. The making of competition policy is by its very nature highly contentious. EU rules may be meant to be 'applied objectively and legalistically', but politics are rampant (Peterson and Bomberg 1999, p. 66).

Decision making itself in competition policy is unique within the framework of the EU as both the Council and the European Parliament, the legislative organs of the EU, are unable to exert any direct influence on the entire policy-making process (Cini and McGowan 1998). At the institutional heart of EU competition policy sit the European Commission and the European Courts. The interaction between both is pivotal in terms of the day-to-day administration and the broader evolution of policy and makes for a fascinating case study of European policy making. It also raises some important normative questions about the accountability of governance in the competition sphere.

True, all formal decisions that are made by the Commission can be appealed to the European Courts. Yet, a point that cannot be overemphasized, the overwhelming number of competition cases fall outside the judicial review process. Much of the Commission's work in relation to the pursuit of restrictive practices is never made public (relates specifically to informal agreements as discussed below) and may not therefore be challenged in the Courts. In other words the Courts are only able in practice to exert control over the Commission in what effectively amounts to a small number of cases. Consequently, they are not in a position to 'alter the fact that the Commission enjoys substantial discretion in the shaping, making and implementation of competition policy' (Neven *et al.* 1998, p. 6).

Some forty years after the signing of the Treaty of Rome carteld busting not only consumes the sizeable bulk of DGIV's time, efforts and energy, but has also matured into arguably the most significant and the best developed aspect of EU competition policy. Despite its often less than glamorous image its prominence is maintained through deep political commitment, ongoing Commission investigations and constant notification of new cases. Karel van Miert's (Competition Commissioner 1993–99) remark on taking up the competition portfolio that he intended 'to make it (carteld busting) a priority' for the period of his mandate was far from being an idle promise and with hindsight clearly set the tone for his period as Commissioner. This saw the imposition of the highest fines to date for infringements of the EU rules on restrictive practices and the adoption of new Notices on decentralization (Davison and Fitzpatrick 1998), Green

Papers (on Vertical Restraints in 1996) and various other Guidelines to improve the policy's effectiveness.

It is both the current salience of cartelpushing and the Commission's powers, activities and levels of discretion in this area that make this topic very much worthy of closer inspection. This article seeks to begin a wider debate and foster a greater interest into one of the Commission's prime areas of independent action and responsibility. It begins by providing a brief introduction of the legal base before turning to examine the autonomy and powers of the Commission and DGIV. The succeeding section provides an account of the administrative procedure surrounding the selection of cases and the investigative processes while the final sections consider the Commission's policy on fining infringements under the EU restrictive practices policy.

THE LEGAL BASIS OF THE EU'S RESTRICTIVE PRACTICES POLICY

The inclusion of a competition policy into the treaty establishing the European Economic Community in 1957 was a pre-requisite to the creation of a common market and genuine market integration. According to the first EEC Competition Commissioner, Hans van der Groeben: 'It would be useless to bring down trade barriers between member states if ... private industry were to remain free ... through cartel-like restrictions on competition, virtually to undo the opening of their markets' (Agnew 1985, p. 139). The aim of ensuring that competition was not distorted was stipulated in Article 3(g) while the substantive law was contained within Articles 81–90. Article 81 of the Rome Treaty specifically prohibits all agreements 'which may affect trade between member states and which have as their object, the prevention, restriction or distortion of competition within the common market'. Framed in very general terms its purpose was to catch and prohibit (para. 2) all agreements that restrict the free spirit of competition and to promote and facilitate market integration. Article 81 (paragraph three) allows some agreements to be exempted from the EU competition rules (and these are subject to the discretion of the Commissioner) where they contribute to improving the production or distribution of goods, promote technical and economic progress or ensure that consumers reap considerable benefits.

There are three major areas of activity under Article 81. The first and the subject of this paper are price and market sharing agreements between competitors (horizontal trade) or cartels. The second area focuses on those agreements between firms operating at different levels of trade, that is between manufacturers and distributors (vertical trade) and the third examines the issue of co-operative joint ventures. Cartels, as the Commission's annual competition policy reports illustrate, have become practically endemic in many sectors of European industry today. Explanations may centre on tradition and former established norms of business activity, but

increasingly they stem from the pressures of trade globalization. Indeed, rather than adjusting to these changing circumstances by actively stimulating access to new markets, reducing prices, investing more in R&D and securing economies of scale, some companies opt for the protective haven of cartels.

In the short term, recourse to cartelization may indeed prove, but in the longer term and in today's environment they are certain to prove, very costly because starved of the dynamic and innovative effects of competition they often lead to inefficiencies. The inherent dangers posed by cartelization remain as potent as ever for both the consumer and the business community in general. EU restrictive practices policy in general raises fundamental questions surrounding DGIV's policing of the single market. To what extent do DGIV's fortitude and determination impact upon the business community? Do financial penalties act as sufficient deterrents to collusive activity? Do they dissuade firms from engaging in such practices or more worryingly do they simply instil the need for greater measures to hide such activity and certainly to minimize or/and conceal the paperwork involved. This article aims to tackle some of these issues. Certainly what is clear is that the new century opens with restrictive practices continuing to persist and flourish as a common characteristic of the European business environment. It remains one which many branches of industry seem very reluctant to abandon.

THE AUTONOMY OF DIRECTORATE GENERAL IV

Article 81 had identified policy priorities and presented the Commission with considerable powers of interpretation to determine, for example, when agreements affect trade between member states or when an agreement restricts competition. Nevertheless it had failed to designate the means to secure these objectives. This raised immediate and fundamental difficulties; which body would decide upon the application of the law; what form would the administration assume; how would the competition body acquire its information; how would it enforce the principles of competition and would such sanctions be retrospective or merely prospective? The onus was immediately placed on the Council to provide a framework. After four years of fervent deliberations on an administrative system the Council established Regulation 17 of 1962. This identified the Commission as the principal actor in the administration and implementation of competition policy. To aid its policing of the European market it equipped DGIV with exclusive autonomous powers of investigation (including the infamous 'dawn raids') into suspected violations of the EU's competition rules and enabled it to codify, exempt and impose fines on, offending firms. In short, Regulation 17/62 gave the Commission 'teeth' by transforming it into an exclusive enforcement agency and it has served as DGIV's procedural bible ever since.

DGIV comprises eight directorates (A to H) as at September 1999. Aside

from Directorate A which is responsible for general co-ordination, the others hold responsibility for different aspects of competition policy. In contrast to the more high profile and administratively efficient Directorate B (Merger Task Force) (McGowan and Cini 1999), or Directorates G and H (State Aids), cartels overlap Directorates C, D, E and F. Active pursuit and condemnation of cartels forms the backbone of DGIV's operations and consumes much of its time and its extremely limited resources. Even with some 40 per cent of DGIV officials working on Article 81, it is still an insufficient number to tackle the number of outstanding and new cases. Consequently, DGIV has been forced to use its discretion to select and to prioritize cases of importance and to determine which cases to close by either informal or formal procedures. Its choice is ruled by a willingness to set legal principles and to clarify particular points of law. In reality often the decision to bring a case 'is not necessarily directed by economic reasoning, or the wish to achieve particular economic outcomes' (Neven *et al.* 1998, p. 120). It may actually owe more to 'making law' which reflects the legal expertise and culture that had always dominated and continues to pervade the DGIV.

ADMINISTRATIVE PROCEDURE RELATING TO NOTIFIED AND UN-NOTIFIED CARTELS

The Commission's procedures relating to restrictive practices are extremely complex. Naturally the outcome of the process is influenced not merely by the formal requirements of the statutory rules, but is also dictated and shaped by a whole range of more or less informal pressures on the individuals and institutions responsible for the implementation of these rules. This section briefly explores some of these and portrays the discretion of DGIV's staff in dealing with particular cases.

DGIV's administrative proceedings are triggered by notifications, complaints and *ex officio* cases. Of these three areas making up DGIV's caseload, notifications, remain, as figure 2 indicates, the most plentiful. Essentially, all agreements that possibly infringe Article 81 must be notified to DGIV by completing the official A/B form. Many firms regard notification as 'good practice' and in any case a necessity if they are seeking either an exemption from the competition rules or a negative clearance. Interestingly, however, only a small proportion of companies appear to regard immunity from fines an important incentive in determining notification (Neven *et al.* 1998, p. 114). This raises questions over the degree of severity of the EU's fining regime. In the cases of notified agreements the Commission has only to determine the effect on competition and the process is relatively straightforward. In many instances these formal notifications have been preceded by what effectively amounts to 'pre-notification' discussions between DGIV and the firms involved. These offer an opportunity to test Commission reactions to proposed plans and enable companies to modify any problematic aspects of the agreements before the formal notification takes place. Often in the cases of the largest companies these contacts occur at a high level

within the Commission and often with the Competition Commissioner (Neven *et al.* 1998, pp. 137–9). Pre-notification contacts do not, it should be emphasized, guarantee automatic clearance.

This traditional pattern of notifications driving Commission investigations, however, is undergoing monumental change as DGIV comes to focus its energies and activities on uncovering the existence of un-notified agreements. Many cartels deliberately set out to conceal their existence from DGIV and will pursue collusive and predatory activities for as long as such agreements remain beneficial or until they are unearthed (and this remains very much an ‘if’ scenario) by DGIV.

In seeking to unearth secret agreements the Competition Directorate secures its workload from its own initiative cases and from third party complaints. There were 192 complaints to DGIV in 1998 from either customers or more commonly other competitors, and quite often from parties within an established cartel. Although many of these complaints by third parties may prove justified and represent manifest Community interest, many of the complaints are not justified. What is missing in the restrictive practices regime is some form of instrument that can facilitate the rejection procedure and thus enable the Commission to concentrate on its more pressing cases. In most cases the majority of complaints end in informal settlements where either the parties amend their practices or where the complaint is rejected by DGIV for a lack of any substantial concrete evidence.

DGIV also undertakes its own *ex officio* investigations into potential breaches of the competition rules. Its staff is generally alerted to suspected violations by newspaper reports and through its contacts with consumer associations. Such investigations are intricate and protracted and rarely lead to infringement decisions. Most cases, in common with complaints, are settled informally either by modification of an agreement or are rejected through a clear lack of established proof. Since 1994 DGIV has intensified its cartelbusting efforts by initiating ever more of its own investigations. It opened 101 cases on its own initiative in 1998. Most of these were concerned with telecommunications.

This article focuses on un-notified agreements. Essentially, the formal administrative process leading to an infringement of Article 81 can involve a possible five-stage process (see figure 1). Once selected, cases are assigned within DGIV to an individual *rapporteur* who generally holds extensive

FIGURE 1 *The five stages of administrative procedure in Article 81 proceedings*

Stage 1	Investigative stage – request for information
Stage 2	Initiation of proceedings – statement of objections sent to the parties
Stage 3	Access to file and objections from third parties
Stage 4	Consultation of the advisory committee
Stage 5	Adoption of a formal decision in the form of a negative clearance, an exemption or a prohibition with the possibility of a fine

FIGURE 2 *The origins of DGIV's caseload*

Year	Notifications	Complaints	Own initiative	Total
1990	201	97	75	373
1991	282	83	23	388
1992	246	110	43	399
1993	264	110	26	401
1994	235	170	21	426
1995	360	114	47	521
1996	206	159	82	467
1997	221	177	101	499
1998	216	192	101	509

Source Office for Official Publications of the European Communities, *Annual Community Competition Policy Reports*, Luxembourg

knowledge of a particular industrial sector and its leading players. Each *rapporteur* assumes responsibility for conducting the impending investigation and analysis. In the first, the so-called preliminary investigation (under Articles 11, 13 and 14 of Regulation 17) DGIV aims to collect as much information as possible on the potential infringement. (In contrast firms that make formal notifications provide all crucial information.) The first question that confronts the *rapporteur* is to determine whether the agreement is likely to impede competition by favouring the undertakings in a part of the EU.

It is left entirely at DGIV's discretion as to how and whether it proceeds with an individual case. At this preliminary stage, DGIV may opt to issue a comfort letter or to initiate formal proceedings which thus trigger its secondary investigation. This either moves the Commission towards issuing a positive decision (publicized in the *Official Journal* so as to hear any objections from third parties) or, alternatively, towards a prohibition. Where problems are located a 'Statement of Objections' is sent to the relevant parties and a subsequent response and hearing with them is sought. Responsibility for the oral hearing rests with the Hearing Officer. The Hearing Officer supervises all aspects of the hearing, including the dates, location, documentation, the chairing of the hearing, the orchestration of its structure, and does a fair amount of the groundwork for each case. In many ways the Hearing Officer represents a type of independent arbiter between the Commission and the accused parties. At this stage of the investigation the companies can opt to amend their agreement on DGIV's advice to secure a green light. If this happens DGIV discontinues proceedings.

In its analysis of a specific case the *rapporteur* consults not only with the parties involved, but also with any third parties who are likely to, or have been affected by the agreement. In addition, as part of this third stage of the investigative process, DGIV is also entitled to inspect company premises and documentation in proceedings that have been initiated through complaints by a third party or on the Commission's own initiative. This third stage concludes with the Commission's decision to drop its objections or

to pursue its route towards a prohibition order. At this point the Commission is obliged legally to consult representatives of the member states' competent authorities in the Advisory Committee on Restrictive Practices and Monopolies for its opinion. This is intended as a final safeguard to ensure fairness and allows the member states a check, albeit a limited one, on DGIV cases. However, in practice its role is somewhat superfluous as there is no requirement that the Commission take on board the committee's recommendations.

The fifth and final stage in the administrative procedure marks the end of the inquiry and culminates in the Commission's formal decision. It has three options. Firstly, the Commission can declare that there are no grounds for applying Article 81 and issues a negative clearance. Secondly, the Commission can maintain that although an agreement does infringe Article 81 there are grounds for an exemption under 81(3) and thirdly, the Commission can demand termination of the infringement and can also impose a fine.

For all these reasons DGIV officials require considerable skill and need substantial enforcement powers if they are to identify an infringement. They must always be cautious and careful in the assessments for recent experience has clearly indicated that both sloppy fieldwork and badly judged homework can play directly into opponents' hands. It is not the first time that cases have been lost on appeal to the European Court as a consequence of flawed arguments from DGIV. A simple suspicion of collusive activity is rarely sufficient validation for the Courts to verify restraints of trade. Producing specific documentary evidence, to be fair to the Commission, is simply not always possible. In *Cartonboard*, for example, the meetings of the parties to the agreement were cleverly disguised as social events of an ostensibly legitimate association known as Product Group Paperboard.

In contrast to the work of the courts which must accept all the cases that are referred to its jurisdiction, DGIV is not obliged to investigate and make decisions in respect of every single possible infringement of the competition rules that either it uncovers or are brought to its attention. Limited manpower resources make this an impossibility. In practice, DGIV decides where to act and which action to take. This actuality has given rise to concerns over how the Commission investigates infringement proceedings and how it reaches its decisions. The investigative process leaves ample space for interpretation of the rules and caveats. A closer inspection of the Commission's annual reports on competition policy clearly displays the multitude of aims that are attributed to restrictive practices policy. They are very broad and have involved substantial shifts of emphasis over time.

One of DGIV's most enduring struggles in its 'cartel wars' lies with its inability to digest the considerable number of cases that have accumulated under Article 81 despite great strides in this direction over the last decade. Experience reveals that the average length of proceedings for cases under

Article 81 is four years and ten months (Commission 1999). The business community not only queries the duration of the Commission's investigative processes, but also finds fault with the infringement proceedings given the 'total lack of predictability' of individual case outcomes. The duration issue is an important one and one where Commission discretion is again in evidence as DGIV decides how in depth any of its investigations will be.

The business community should not expect the speedy responses that many have become familiar with under the EU merger regime. In reality those handling cases under Article 81 will never be in a position to emulate their colleagues as the procedures are radically different and require very diverse investigative probes and hearings. That said, DGIV does need to process cases faster than is currently the norm. In order to provide greater clarity and certainty for the business world, as well as lightening DGIV's administrative load and improving its effectiveness the Commission has made amendments to its *de minimis* notice, introduced new and updated existing block exemptions and opted for a greater deployment of 'comfort letters'.

Naturally, DGIV's workload would have been more voluminous from the outset had it been responsible for all cartel-type agreements throughout the EU. Some 38,000 had been registered by the mid-1960s. In practical purposes this was an impossible task. Consequently, its latest revision in 1994 of its original 1970 *de minimis* notice only makes agreements over a certain threshold subject to DGIV's jurisdiction. Basically, any agreements entered into by independent SMEs and 'whose annual turnover and balance sheet do not exceed ECU 40 million and 27 million respectively and who have less than 250 employees will not, in principle, be investigated by the Commission' (Commission 1998, p. 21).

Eager to encourage certain types of co-operation (linked to efficiency gains), DGIV developed its block exemption instrument based on 81(3). This allows DGIV to exempt 'categories of agreement' from the competition rules. The block exemption has become a regular feature of competition policy enforcement since the mid-1960s and serves as a practical means for DGIV to reduce the number of notifications, devote its resources towards more pressing cases and accelerate the decision-making process.

Mention should also be made of the comfort letter. This is an administrative tool that allows the Commission to express its disinterest in a particular case and it provides for a rapid clearance of that particular agreement. Positively, a 'comfort letter' will also provide continued protection from the imposition of any fines from the date of notification. Some negative aspects of the comfort letter should also be highlighted. This informal procedure does not have any formal legal basis. It does not protect companies from the national courts and as such the extent to which these letters provide secure protection must be questioned. Recourse to block exemptions and comfort letters have certainly aided DGIV, but the Competition Directorate's staff has not been so foolish as to regard them as a panacea for solving

the problem of their limited resources and to simplify their administrative procedures. Both have failed to impact radically upon DGIV's backlog of cases. Despite a dip in the early 1990s the trend since 1994 has again been upward. At the end of 1996, 1,280 cases remained outstanding. Successive falls in both 1997 and 1998 to 1,262 and 1,204 cases respectively have been modest and have disappointed Commission expectations (Commission 1999, p. 46). At the same time the number of new cases has been climbing as figure 2 illustrates. In 1998 alone, 509 were registered.

The increasing use of informal decisional tools such as comfort letters as a quick way of settling non-controversial cases infers an incremental and unchecked extension to DGIV's discretionary scope. Of the 582 cases closed in 1998 (see figure 3) no less than 539 were attained informally and on only 42 occasions was there a formal procedure. Both the Commission and the firms subject to these secretly devised agreements may see the advantages of a more informal approach to decision making, but their likely impact on the accountability and legitimacy of the policy must also be taken into consideration. This last point again underlines the power and discretion of both DGIV and the European Commission where selecting, processing and determining case outcomes is concerned. Whereas informal agreements are not open to review by the European courts and scarcely reach the public domain all formal decisions in contrast are subject to a clear schedule and enter the public domain through discussion and comment in the annual competition policy reports. It is to these that this article now turns.

THE COMMISSION'S POWER TO LEVY FINES: THE EVIDENCE AND TRENDS IN THE 1990s

Underpinning the Commission's carteldusting role is its power to levy fines for infringements of the competition rules or any attempts at concealing information from DGIV. As competition law has developed and matured so DGIV officials have become ever more expert and confident in their room for manoeuvre *vis-à-vis* the European courts. This skill and assurance have gradually translated into a willingness to levy fines to deter carteliz-

FIGURE 3 *Number of cases closed by the commission by year*

Year	Formal Decision	Informal Procedure	Total
1990	13	864	877
1991	21	814	835
1992	34	90	124
1993	14	792	806
1994	33	495	528
1995	14	403	417
1996	21	367	388
1997	27	490	517
1998	42	539	582

Source: Office for Official Publications of the European Communities, Annual Community Competition Policy Reports 1988-98, Luxembourg

ation. Today fines have become a regular feature of EU competition policy. Almost half of the infringement decisions since 1989 have involved the levying of fines. The probability of receiving a fine depends more or less on the way in which the case was opened. Experience to date indicates that the risk is higher where the Commission initiated proceedings and lowest where parties opted to make a formal notification.

The Commission's discretion to impose financial penalties for breaches of Article 81 is provided for under Article 15(2) of Regulation 17/62 and derives from the practice observed in both the US and German regimes. An examination of the statistics is revealing. The first imposition of a fine occurred in 1973 in *Suiker Unie* (OJ 1973 L140/17) when 17 companies were fined ECU 9 million. However, DGIV's full resolve to impose fines only gathered momentum in the late 1980s under Leon Brittan (Competition Commissioner 1988–93) (as figure 4 illustrates) and has intensified under his successor, Karel van Miert.

The highest recorded fines in the history of EU competition policy were recorded in 1994 and 1998. In the former a total sum of ECU 535 million was imposed among *inter alia* the *Steel Beams* (ECU 104 million), *Cartonboard* (ECU 132 million) and *Ciment* (ECU 248 million) cartels. The year 1998 saw the imposition of record fines of ECU 560 million (with *inter alia* the following three offending cartels) for infringements of EU competition policy.

- (i) In *British Sugar*, four sugar producers (British Sugar, Tate & Lyle, Napier Brown and James Budgett) which together controlled over 90 per cent of the granulated sugar market in the United Kingdom were fined ECU 50.2 million. This collusive arrangement had adopted a collaborative strategy of higher pricing for sugar on both the industrial and retail markets.
- (ii) In *Preinsulated Pipes*, ten companies across the European Union were fined ECU 92.21 million for engaging in a series of price fixing, market sharing and bid rigging activities.
- (iii) In *Greek Ferries* the Commission imposed a fine of ECU 9.12 million

FIGURE 4 *The imposition of fines: selected cases from the Sutherland and Brittan years 1985–93*

Decision	Date	Reference	Size of Fine in MECU	No. of undertakings
Woodpulp	1984	OJ 1985 L85/1	4.125	36
AKZO	1985	OJ 1985 L374/1	10	1
Polypropylene	1986	OJ 1986 L230/1	57 850	15
PVC	1988	OJ 1989 L74/1	23.5	14
Flatglass	1988	OJ 1989 L33/44	13.4	3
LdPE	1986	OJ 1989 L74/21	37	17
Soda-Ash-Solvay	1990	OJ 1991 L152/21	20	1
Soda-Ash-ICI	1990	OJ 1991 L152/1	14	2
Tetra-Pak II	1991	OJ 1992 L72/1	75	1
French African Shipping CEWAL	1992	OJ 1992 L134/1	15.3	17

Source: Montag, pp.430–2

which was levied against a price fixing cartel comprising seven Greek and one Italian ferry. Despite the seriousness of the charge this rather modest fine reflected its fairly limited market impact.

All these cases were portrayed as notable triumphs by DGIV. The fining policy raises significant issues. How are the levels of the fines calculated by DGIV? How far does the policy deter companies from engaging in such practices in the future and to what extent is the Commission accountable to other EU institutions and the public at large?

THE COMMISSION'S POWER TO LEVY FINES: AN EXAMINATION

The use of the seemingly powerful weapon of financial penalties has proven somewhat problematic and contentious. The Commission has been criticized for its reluctance to provide any substantial reasoning on how it arrives at an individual fining decision and moreover its decisions have often been accompanied by doubts over impartiality and the way in which the Commission has handled the case. This is particularly the situation where the wording of the final decision to impose a fine largely resembles the wording of the earlier Statement of Objections. In other words, for many undertakings and their legal advisers it seems that DGIV is simply not interested in company defences and ignores their views and any justifications of the arrangements in question. In practice, the problem lies with the rules of procedure as dictated by Regulation 17 where certain individuals within DGIV, acting in a series of guises of prosecutor, judge and jury, are responsible for a case from its inception to its conclusion (McGowan and Wilks 1995). In pure administrative terms the Commission's role in competition decision making is certainly multifaceted and this raises some highly substantial issues relating to governance, accountability and transparency.

All in all these doubts have translated into a 'low rate of acceptance of Commission decisions and a correspondingly high rate of court actions'

FIGURE 5 *Imposition of fines under Article 81: selected cases from the van Miert years 1993–8*

Decision	Date	Reference	Size of fine in MECU
HOV SVZ/MCN	1994	OJ 1994 L104	11
Euro beam producers	1994	OJ 1994 L116/1	104
Cartonboard	1994	OJ 1994 L243/1	132
Ciment	1994	OJ 1994 L343/1	248
PVC	1995	OJ L239/141	25
BASF/Accinato	1995	OJ L272/16	2.7
Adalat	1996	OJ L201	3
VW Audi	1998	L124	102
British Sugar/Tate & Lyle	1998	OJ L 284	50.2
Preinsulated Pipes	1998	OJ L 24	92.21
Stainless Steel Flat Producers	1998 (ECSC)	OJ L 100	27.3
Greek Ferry Operators	1998	OJ C 207	9.12

Source: Commission of the European Communities, *Annual Competition Policy reports 1993–1998*, Luxembourg

(Montag 1996, p. 433) with regard to the Commission's fining policy. Statistics indicate that by mid-1998 the Commission had issued 32 decisions imposing fines of more than ECU 3 million on one or more undertakings. The reaction to such fines is very revealing. Of the 29 such cases up to the end of 1996 only five were implemented without being challenged. Of these, 24 were appealed to the European Courts; 12 actions for an annulment of the Commission decision proved highly successful as the fines were either lifted or quashed; and in a further two cases the levied fines were reduced. Such experiences have only encouraged disgruntled companies to lodge a challenge to the Commission's decision before the courts. Indeed, massive fines imposed on European chemical companies by the Commission nearly a decade ago have still not been paid, as the firms have opened appeals to the ECJ. In *ICI-Solvay*, for example, the undertakings successfully appealed to the CFI to have their combined fines of ECU 14 million overturned.

External criticism of DGIV's procedure is customary but, when exerted from the ECJ, shakes the foundations of the Avenue de Cortenberg where the DG is based. The Commission's powers in the competition arena are only fettered by the general principles of European Community law (Furse 1995, p. 111). Its formal decisions may be subject to judicial review by the Court of First Instance with a further appeal on points of law to the European Court of Justice, but these must be notified within two months of the Commission's decision. In theory, this means that the Courts can quash Commission decisions and cancel, reduce or increase the financial penalties that the Commission has imposed. The once seemingly cosy relationship between the Commission and the Courts has given way in the 1990s to a more critical assessment of the Commission's arguments and interpretations. In *Woodpulp*, for example, the ECJ ruled that the system of quarterly price announcements by producers identified by the Commission did not amount to concertation. It maintained on the contrary that the extent situation had evolved in the circumstances of a long-term market where both buyers and sellers felt the need to limit commercial risks. More seriously, however, the Commission was condemned for its procedure and method of analysis; the ECJ exposed the reliance on material and on evidence obtained after the statement of objections had been sent and a complete failure to adequately explain allegations in its statement of objections. *Woodpulp* has forced the Competition Directorate to produce a 'firm, precise and consistent body of evidence of concertation' if it is to succeed in establishing such practices.

In April 1995 a further blow to DGIV's credibility was suffered at the hands of the CFI when it annulled a Commission decision in the *LDPE* case (see table 5) and even worse, compelled the Commission to pay the legal costs for all 17 legal teams. Such episodes not only involve huge costs for the Commission's lawyers, but consume the energies of DGIV's strictly limited resources. Where challenges against the levying of fines are upheld

much of the explanation rests not with the Commission's decision or power to fine, but rather an improper or factually flawed analysis.

The resonance of the Commission's power to levy fines (Korah 1994; van Bael 1995; Gyselen 1993) and growing criticism of its own methods and procedures finally compelled the Commission to re-examine its procedures. This led to its January 1998 Notice (OJ C9/3) on its *New Method for Calculating Fines in Antitrust Cases*. In short, this Notice aims simultaneously to increase the transparency and coherence of the Commission's decisions. Essentially, it achieves this end by setting out the different steps involved in the determination of the fine and by providing the ranges of fine. To this end, it abandons the earlier practice of calculating fines as a percentage of the relevant turnover (when there never was any good reason for fines to be proportional to turnover). Instead in a highly significant development it has opted in favour of a far more straightforward approach, both in terms of Commission decision making and review by the Courts, by focusing more directly on the nature of the infringement and the use of real deterrents.

The 1998 Notice represents another earnest attempt by the Commission to improve its handling of competition cases and, provides for a radically new four-stage procedure. Under this new arrangement, infringements are now to be classified as *minor*, *serious* or *very serious*. In order to assess the gravity of the infringement, account must be taken of the nature of the infringement and its actual impact on the market.

DGIV calculates the actual level of the fines within these parameters, which will naturally vary from case to case and on the nature of the particular infringement. In effect, it must be emphasized that this Notice does not herald any change in the general level of fines and merely reflects the Commission's practice throughout the 1990s. Where more than one company is concerned it is the responsibility of DGIV to decide where the level of blame lies and to differentiate between the participants' actions and involvement where necessary and fine accordingly.

A key element in any Commission decision under the Notice surrounds the new emphasis on the duration of the specific agreement. Under the previous system the duration was an issue that the Commission examined,

FIGURE 6 *Calculating fines under the 1998 notice*

Classification	Characteristic	Calculation of fine
1) Minor infringement	trade restrictions with limited market impact	1000 to 1 million ECUs
2) Serious infringement	usually horizontal in nature, but with much wider market impact	1 million to 20 MECUs
3) Very serious infringement	normally horizontal restrictions such as price cartels/market sharing arrangements	20 MECUs and above

but in practice, little differentiation was made to the length of duration and this was rarely seen as a feature in the setting of the fine. Again under the new rules distinctions are made between '*short duration*' (less than one year), '*medium duration*' (one to five years) and '*long duration*' (more than five years). In the first instance the basic amount for gravity remains unchanged, but in cases of medium duration it may be increased by up to 50 per cent and in cases of long duration by 10 per cent per year. Under the new arrangement the duration of an infringement greatly increases the size of the fine eventually levied by the Commission.

Once both the gravity and the duration of a particular infringement have been established, the next step in DGIV's calculation is consideration of any aggravating or attenuating circumstances (as listed under the Notice). This is followed (according to section 4 of the Notice) by consideration of the Commission's 1996 *Notice on the Non-Imposition or Reduction of Fines in Cartel Cases* (OJ C207/4 1996). The latter provides for the possibility not only for reductions in fines but even the waiving of fines in cases where companies have helped DGIV to uncover and prosecute cartels. This practice is supposed to save time and resources. It provides a clear example of DGIV delegating responsibility for fact finding to the incriminated parties. The Commission has indicated that this is proving a productive mechanism to ease its burdens and cites the Sugar Case of 1998 as an example (Commission 1999).

In terms of an initial assessment this new 'tarification' arrangement given its emphasis on gravity, duration and contemplation of extenuating or aggravating circumstances is to be welcomed. When coupled with consideration of a reduction in line with the Commission's 1996 Notice, it helps from a public policy viewpoint to introduce greater transparency within the Commission's decision-making process. This is a positive step forward from the previous state of affairs where turnover calculations were usually deemed a confidential secret and thus precluded from inclusion within the *Official Journal*. It acts as a deterrent as the:

Basic assumption underlying all attempts to deter infringements by imposing fines is that companies indeed operate a cost-benefit analysis. If deterrence works, it does so by altering the potential offender's balance of expected cost and benefit in such a way as to induce him to refrain from the undesirable action. Tarification thus rather serves deterrence, so long as the tariff is either sufficiently detailed or sufficiently flexible. (Wils 1998, pp. 256-7).

CONCLUSIONS

How are we to judge the Commission's policy on cartels? From a positive perspective DGIV's record in the 1990s has been rather impressive. Horizontal price fixing and market sharing agreements have been attacked robustly and vociferously. Action has been taken against common sales

syndicates where once again price fixing has constituted a cardinal segment of the agreement, against deals which by their very nature have meant restrictions to competition through the application of quotas and output rates and against pacts in favour of territorial market sharing.

However, from a more critical perspective DGIV's tenacity and boldness have not been universally welcomed. The policing of cartels have granted a large degree of discretion to the Competition Directorate, with regard to both the selection of formal or informal procedures and to the issue of imposing fines. A majority of firms now consider the powers of the Commission to be excessive and question the Commission's objectivity, DGIV's analysis and its perceived tendency to prejudge cases (Neven *et al.*, p. 142). Moreover, the Commission's overall success continues to be marred by administrative defects and its severely limited resources.

This creates cause for concern as the Commission's investigative procedures remain both lengthy and costly. It is particularly the case where agreements have been notified. Long delays leave the affected companies in a state of limbo for the two or three years of the investigation. The implications for the firms are considerable and this is problematic where there is ultimately no case to answer. A second problem centres on the Commission's explanations of its policy in areas where case law and legislation are not explicit. Where there is room for manoeuvre on its part the Commission has certainly been keen to publish explanatory Notices and other Guidelines and to engage in consultation exercises with the business community through Green and White Papers. However, despite such documentation the Commission remains rather ambivalent when it comes to clarifying its own internal decisional processes. It is keen not to draw for itself a policy strait-jacket which would ultimately undermine the flexibility which is considered essential for effective competition control. This desire to avoid constraints can often be at odds with the business community's demands for transparency. Recognizing that both objectives are important the Commission has little alternative but to seek a balance between the two.

The current competition policy reform agenda is characterized by a plethora of proposals surrounding legal certainty, speed of decision making, depoliticization, a greater room for economic reasoning, increased staff and a greater independence. All extend beyond the remit of this article. One is worth noting as a particularly important development in the sphere of restrictive practices. This involves the Commission's efforts to resolve the resources problem by transferring the less controversial or less policy relevant cases to the national courts and the national authorities. The Commission's 1993 Notice on Co-operation between the Commission and national competition authorities sought to improve relations and contacts. Ultimately it would enable DGIV to free some of its scarce manpower by delegating cases to the relevant member state, where appropriate. In practice progress towards such a decentralization policy is being made but it will not be fully effective until all fifteen member states have adopted the

necessary legislation to incorporate Article 81 at the national level. As of the end of 1998, eight national authorities were in a position to apply this article directly. Others have amended their existing competition laws and essentially 'harmonized' their revised versions on the basis of the EU rules. In the UK context this trend is in evidence under the newly revised 1998 Competition Law.

This article has sought to account for the Commission's decision-making function in relation to restrictive practices. In charting the progress of a decision, from notification to investigation, and then to a formal decision or informal settlement, it is possible to understand what it is about European competition policy that is so unique. For in emphasizing policy enforcement I am in fact also emphasizing policy making, as it is in part through the adoption of formal decisions that European competition policy is constructed and developed. Indeed, it is the Commission's decision-making procedure in competition cases that differentiates this EU policy from all others. In its scope for discretion and its flexibility the source of both its strengths and its weaknesses are illuminated.

Having established the wide degree of Commission discretion over restrictive practices, it would be very interesting to try and gauge whether and how DGIV has endeavoured to advance market integration through this policy. What cases has it selected as its priorities? Has it opted for specific economic and industrial sectors? Can anything be learnt from those decisions where it had issued cease and desist orders, levied fines or preferred to issue comfort letters? These are issues for a more comprehensive and future research project.

In the end, whether firms are deterred from such activities rests solely on their analysis of both the advantages of the agreement and the dangers of detection. It is argued that the latest reform package might go some way to resolving earlier problems. In the long term it is highly unrealistic to expect DGIV or for that matter any of the domestic competition agencies to eradicate cartelization completely. History and experience indicate that although the objective that underpins Article 81 is laudable it remains an unattainable goal. Nevertheless, the dynamism unleashed by the spirit of competition can only be assured if the markets are policed by the competition authorities. How they do this, how they handle, proceed with and judge each case will determine how they themselves are considered to be effective institutions.

REFERENCES

- Agnew, J. 1985 *Competition law* London: Allen and Unwin
- van Bael, I. 1995. 'Fining à la carte: the Lottery of EU competition law', *European Competition Law Review* 16, 4, 237-43.
- Bishop, S. 1995. 'State aids: spreading Europe's cancer', *European Competition Law Review* 16, 6, 331-33.
- Bulmer, S. 1994. 'Institutions and policy change in the European communities: the case of merger control', *Public Administration* 72, 423-44.

- Cini, M. and L. McGowan 1998. *Competition policy in the European Union* Basingstoke. Macmillan.
- Commission of the European Communities. 1997 *Twenty-sixth report on competition policy* 1996. Luxembourg: CEC
- 1998. *Twenty-seventh report on competition policy* 1997 Luxembourg: CEC.
- 1999. *Twenty-eighth report on competition policy* 1998 Luxembourg: CEC
- Davison, L. and E. Fitzpatrick. 1998 'An assessment of Community interest, Community dimension and decentralization in EU Competition policy', *European Business Review* 98, 3, 160–7.
- Doern, G.B. and S. Wilks 1996 *Comparative competition policy. National institutions in a global market*. Oxford. Clarendon Press
- Ehlermann, C.D. 1995. 'Reflections on a European Cartel Office', *Common Market Law Review* 32, 2, 471–86
- Fishwick, F. 1993. *Making sense of competition policy*. London: Kogan Page.
- Furse, M. 1995 'Article 15(2) of Regulation 17. fines and the Commission's discretion', *European Competition Law Review* 16, 2, 110–5.
- Gardner, A. 1995 'The Velvet Revolution: Article 90 and the triumph of the free market in Europe's regulated sectors', *European Competition Law Review* 2, 78–86.
- Goyder, D.G. 1999. *EC competition law* Oxford: Clarendon Press (3rd edn).
- Gyselen, L. 1993 'Die Bemessung von Geldbussen in EG-Kartellrecht', *Wirtschaft und Wettbewerb* 7 and 8, 561–73.
- Hancher, L. et al. 1993 *EC state aids*. London: Chancery Publishing.
- Korah, V. 1994. *An introductory guide to EC competition law and practice*. London: Sweet and Maxwell (5th edn.).
- Lavdas, K. and M. Menéndez. 1999 *Politics, subsidies and competition: the new politics of state intervention in the European Union* London: Edward Elgar
- McGowan, L. and M. Cini 1999. 'Politicisation and discretion in EU Competition Policy. the case of merger control', *Governance* 12, 3, 175–200.
- McGowan, L. and S. Wilks 1995. 'Competition policy: the first supranational policy of the European Union', *European Journal of Political Research* 28, 2, 141–69.
- Montag, F. 1996. 'The case for a radical reform of the infringement procedure', *European Competition Law Review* 8, 428–37
- Neven, D., R. Nuttall and P. Seabright 1993. *Merger in daylight the economics and politics of European merger control* London: Centre for Economic Research
- Neven, D., P. Papandropoulos and P. Seabright 1998 *Traveling for minnows: European competition policy and agreements between firms*. Centre for European Policy Research.
- O'Reilly, D. and A. Stone Sweet. 1998 'The national liberalisation and European regulation of air transport', in W. Sandholtz and Alec Stone Sweet (eds), *European integration and supranational governance*. Oxford: Oxford University Press.
- Peterson, J. and E. Bomberg. 1999. *Decision-making in the European Union*. Basingstoke: Macmillan
- Stuart, E.G. 1996. 'Recent developments in EU law and policy on state aids', *European Competition Law Review* 4, 226–39.
- Whish, R. 1993. *Competition law*. London: Butterworths (3rd edn.)
- Wils, W.P.J. 1998. 'The Commission's new method for calculating fines in antitrust cases', *European Law Review*, 23, 252–63.

Date received 15 November 1998. Date accepted 25 November 1999.

THE PREFECT AND STATE REFORM

NICOLE DE MONTRICHER

The article intends to explain why although tremendous changes have occurred in the structure of government – especially the laws organizing decentralization since 1982 – the institution of the Prefect is still alive in the year 2000.

Created in 1800, the institution of the Prefect derives from the will of the central authority to rely on its own representatives to ensure that public policies will be equally implemented over the whole territory. This objective remains but it has to be combined with the objectives of decentralization which are to transfer a number of responsibilities to elected bodies. Consequently, the task of the Prefect is to co-ordinate locally the action of the representatives of the ministers with the action of the elected body. To study the conditions under which the institution carries out this task the article focuses primarily on the limited capacity of the Prefect to mobilize the relevant actors. The second point concerns the difficulty of bringing together the information produced by field services. The third point considers the valuation of proximity and its impact on the action of the Prefect. The article concludes that the function of the Prefect is still the framing of local action but within the new context this can be done more often through the diffusion of information and less often through authority.

When he published his proposals for state reform between 1911 and 1927, Chardon, a member of the Council of State, suggested that 'we do away with prefectural superstition' (Legendre 1968) by rationalizing government business and by setting up regional administrative areas. In the mind of this author, therefore, the authority of the Prefect is based on beliefs which will disappear with the improvement in methods of public management. In 2000, however, the office of the Prefect has not disappeared despite a reorganization of its instruments of action by the state in a wide-ranging policy to 'modernize the state' begun twenty years ago and which was part of more far-reaching reform of the public sector that took place in industrialized nations at the same time. On the contrary, since the beginning of the 1990s, the institution seems to have consolidated its position within the administrative system. Likewise, the question of the importance of the administrative areas is still on the agenda today. How can one explain this permanence in the face of the considerable changes which have occurred since the first Prefects were appointed?

Until 1982, the French politico-administrative system was characterized by a policy of centralization of which the Prefect was the emblematic figure – the instrument of the uniform implementation of public policy and,

Nicole de Montricher is Chargée de recherche, CNRS Groupe d'Analyse des Politiques Publiques, Ecole normale supérieure, Paris.

at the same time, a source of political information for the government. In short, if the consequence of centralization is the pre-dominance of the Administration over the whole of the national territory, the Prefect was its symbol. However, when Parliament passed decentralization laws from March 1982 onwards, it retained not only the two traditional administrative areas – the *Département* and the *Région* – but, above all, it perpetuated and strengthened the institution of the Prefect, explicitly considered to embody the preserved unity of the state. At the same time, the reform gave rise to the emergence of political demands at local level. These demands were legitimate as they resulted from the election of Deliberating Assemblies in charge of business at departmental and regional level (regarding the communes, little change took place apart from the power to grant planning permission). Since the laws of 1982, therefore, one sees that in France there exists at departmental level an administrative area headed by the Prefect (*Préfet de Département*) and a territorial body whose executive is under the authority of the President of the General Council (*Président du Conseil général*). The same situation exists at regional level: an administrative area headed by the Prefect of the Region (*Préfet de Région*) while the executive power of the territorial body is under the authority of the President of the Regional Council (*Président du Conseil régional*). In this new context, the role of the Prefect is, apparently, to ensure unity – diversity having been entrusted to the territorial bodies. Nevertheless, the question must be asked about the conditions in which the institution has adapted to the radical transformations taking place in its environment – whether it be decentralization or the construction of Europe. The system is characterized, therefore, by its increasing complexity, not only resulting from the multiplication of relations between numerous and heterogeneous players but also because of the growing interaction between territories and networks. Before analysing the modalities of the evolution generated by new constraints, it seems appropriate to recall briefly the principal aspects of the old system.

THE HISTORY OF THE INSTITUTION OF THE PREFECT

The Prefect represents the government in the general administrative areas – namely, the Department and the Region. According to the terms of the decree of 10 May 1982, the authority of the state is vested in him as the representative of the Prime Minister and of each of his ministers. Both the President of the General Council and the President of the Regional Council deal directly with him as the official agent of the state. The role of a local representative of the central power is an old one. It was ‘invented’ by King Philippe Auguste who allowed the provinces the right to maintain their customs while ensuring his political hold on the national territory by appointing Parisian men loyal to him to key positions. Later, this representation was organized in the form of ‘Intendants of police, justice and finance’ who, together with their collaborators, constituted the beginnings of a civil service which served as the cement of the state in the face

of the centrifugal tendencies of the provinces (Strayer 1979). As Alexis de Tocqueville remarked (Tocqueville 1953), the Prefect instituted by the Consulate in the Year VIII (year 1800) was the successor of the Intendant, the essential difference being that, from then on, the central authority defined his constituency as a scientific territorial division of equal geometric dimensions – the Department (*Département*). The fundamental characteristics of the Prefect were set at this period: he was the representative of the government whose laws he implemented according to the uniform norms imposed on him and, every three months, he transmitted political information to the Minister of the Interior. His role in the maintenance of public order illustrated the authoritative side of the Prefect. But there was another side stemming from the Prefect's role as the executive of the elected departmental assembly (*Conseil général*) because, at that time, there was no question of granting total power to the departmental body. This was the aspect which justified and gave legitimacy to the office of the Prefect with regard to the local authorities and the public at large. We know that, in fact, the history of the Prefects is one of the inherent ambiguity of this double role – that of government representative and executive of the departmental body. As such, the Prefect often used his power for the benefit of his department by forging links with the notables (Worms 1966). Very often, he took on the role of defender of local interests either by moulding national norms to fit local configurations or by acting as the mouthpiece of his constituency *vis-à-vis* the Parisian authorities (Grémion 1976). In this way, he was both the agent of centralization and fragmentation of public action (Peters 1989). The Prefect was, therefore, the mediator between the central power and the local authorities, his traditional role consisting of negotiating compromises acceptable to all the parties involved. His office was complex in the sense that it was not only administrative and political but also vertical and horizontal since the Prefect represented all the ministries whose action he had to co-ordinate at departmental level. This role can be explained by the fact that, in France, the main ministries have their own local representatives whose task it is to apply public policy decided by the minister. However, from the beginning of the nineteenth century

... it became increasingly difficult for the Prefects to put the principle of administrative unity into practice as the Ministry of the Interior itself, to whom they reported, was losing its role as central coordinator of technical development (for example, the Ministry of Public Works set up in 1830 took over control of this vast area from the Ministry of the Interior). Finally, when it could be exercised, the intervention of the Prefect often seemed theoretical, a mere formality; thus, in the *Département du Nord* during the Empire period, even though the Prefect regularly met the Director of Taxes and the Collector General, the necessary steps for normal collection were taken in conformity with the instructions of these civil servants whose decisions were automatically ratified. From the

beginning, administrative unity included an element of fiction (Legendre 1968).

We can see, therefore, that while the integration of the action of local ministerial representatives lies at the heart of the Prefect's role, he was never really able to exercise it.

Today, the office of the Prefect has been enshrined in the Constitution, Article 72, of 4 October 1958 (art. 72: . . . 'In the Departments and territories, the government delegate has responsibility for the national interest, administrative management and respect for the law'. The Region is not mentioned as it did not exist as a territorial body until the first election of regional councils in 1986). As the representative of the government, the Prefect is appointed by cabinet decree on the advice of the Minister of the Interior who is his hierarchical superior. The departmental Prefect is assisted in his duties by deputy-Prefects (*sous-préfets*). (The Department is divided into districts each of which has a deputy-prefect at its head. A decree of 1995 specifies their role as the collaborators of the Prefect). Since the putting in place of the policy of decentralization, the Prefect co-ordinates and, in principle at least, manages the services of the central administration of the state (Decrees of 10 May 1982, 1 July 1992 and 13 February 1997) in order to ensure coherence in their implementation. In this context, he has administrative authority in his area – in other words, he is invested with the power to issue the measures he deems necessary for the maintenance of law and order as well as to ensure respect for the norms of numerous special police units (water police, police for foreigners, etc.). Since the beginning of the 1990s, it appears that the goal has been to erase the image of discretionary authoritarianism associated with the upholding of public order and to emphasize one of partner and expert involved in the social and economic development of the territory whether this be at departmental or regional level, the latter being officially competent in matters relating to economic and infrastructure planning and development. In this last context, the Regional Prefect is the official negotiator of the DATAR (Délégation à l'aménagement du territoire et à l'action regional/Commission for Regional Development) for development programmes but also with regard to the European Union structural funds. In addition, he is involved in the monitoring of the legality of all actions undertaken by the Communes, the Departments, by state-owned institutions and by the Region.

De facto, the law maintains the Prefect's central position because it gives him a double role – on the one hand coordinating the field services of the state and, on the other, acting as the unique negotiator in dealings with the President of the relevant elected Assembly (law of 2 March 1982 and decree of 10 May 1982). We can see that the two aspects of the Prefect's office, administrative and political, are maintained. The reference model remains the classical one of a source of information for the government and the agent of its action over the whole of the territory. In concrete terms, how-

ever, one might wonder how the emergence of an autonomous executive in each territorial body has changed the role of the Prefect. In particular, how is the constraint of inherent loyalty to the post of government representative – which the Constitution confers on him (article 6 of the law of 13 July 1983 authorizes the recording of his opinions in his professional file) – to be interpreted *vis-à-vis* the political economic and social constraints which arise from public action? How can he explain, justify and implement policy decided by central government in an environment composed of several players some of whom now possess considerable resources? In short, what are the strategic forms of behaviour that one observes on the ground as decentralization results in the transfer of some of the powers of the Prefect to the territorial bodies, in particular the control of certain administrative departments as well as the management of state subsidies.

The disappearance of his official powers of control and supervision as government delegate and the transfer of responsibilities and funding to the territorial bodies suddenly stripped the office of the Prefect (*Préfecture*) of a large part of its activities, leaving it with the role of state policeman, advising elected politicians and refereeing conflicts between central government field services and between territorial bodies. Officially, the position of the Prefect has been clarified, since his sole mission is now that of representing the government – it being understood that such representation benefits from a certain leeway derived from the interpretation of the rules. However, even today, this capacity for adaptation is shaped by the contingencies of the different player configurations. The players present in the Prefect's administrative area have acquired their own interests from the time that the latter ceased to be the fulcrum of local political life. From then on, consequently, the Prefect has laboured under a double constraint: that of the hierarchical power of the ministers who are responsible for sector-based action and its assessment at national level (in the old model, adjustments were negotiated within the context of a 'crossed adjustment' (*régulation croisée*) (Crozier and Thoenig 1976) a phenomenon which has disappeared with decentralization (Duran and Thoenig 1996); and that of the territorial bodies who are responsible for their decisions to the electorate (in the old model, the Prefect was both the representative of the government and in charge of managing the departmental budget). In such circumstances, one might imagine that the operational mechanisms necessary for carrying out the duties of the Prefect would be radically altered to take account of this new situation. However, since 1964, the same policy of '*déconcentration*' has been followed, its objective being to entrust the representative of the state with the responsibility of harmonizing government action in his constituency and of negotiating its co-ordination with the elected head of the local executive in the relevant territorial body. This function of liaison is inherent in the Prefect's historical role as the guarantor of the unity of the state. Nevertheless, the organizational model put in place to structure the co-ordination of public action by the Prefect is hetero-

geneous. On the one hand, it is co-operative in his relations with the territorial body for, since the removal of his official supervisory powers, his contribution to the implementation of government action relies increasingly on his talent to incite the voluntary mobilization of his partners. On the other hand, the co-ordination model is, in principle, coercive in the Prefect's relations with the heads of field administrative services because, at this level, he possesses the power of arbitrage as part of his duty to unify state action. In this sense, the innate ambiguity of the office of the Prefect has not completely disappeared.

After ten years of practical experience, the government reaffirmed the mediating role of the Prefect by means of a balance between his administrative and political powers (law relating to the territorial administration of the state of 6 February 1992, the decree of 1 July 1992 containing the *Charte de la Déconcentration* and the circular of 18 September 1992). As the reporter explained to the special commission of Parliament, the institutional logic of the law is that

... the decentralized territorial bodies be able to avail of efficient State services to help them to carry out their new duties in the best possible way. The chance of success of decentralization would be seriously undermined if local authorities found themselves forced to send files to Paris which should have been handled at local level (Pierret 1991).

The objective of the law is indeed, therefore, to strengthen the position of field state services which had been weakened by decentralization and, in particular, to capitalize on the prestige which the Prefect enjoys in the public mind as the 'representative of the state'. One remarks, moreover, that there remains a certain ambiguity in the public mind as to the division of powers between the Prefect and the President of the territorial body. We have thus seen people demonstrate in front of the *Préfecture* against action which had formerly been under the Prefect's control but which had since been transferred to the local territorial body. At the same time, the system of territorial administration seems to shift and become more complex because article 1 of the law of 6 February 1992 stipulates that 'the territorial administration of the Republic is carried out by the territorial bodies and by the field services of the state'. It is indeed, therefore, the development of interaction between the field services and those of the territorial bodies that must be organized. The consequence of this strengthened authority (of the Prefect) is the trust by the central power – trust which reflects elements of political loyalty and elements of professional competence as the appointments made during a period of cohabitation show (cohabitation is where the President of the Republic and the Prime Minister belong to opposing political groupings). This can be observed from the large reshuffle of Prefects in July 1999 in which there was a remarkable balance between the appointments put forward by the President of the Republic and those of the Prime Minister. The question of the content of 'déconcentration' is, there-

fore, how does the dynamic of '*déconcentration*' work to ensure the uniform implementation of national norms over the whole of the territory? How is the leeway of interpretation in its implementation agreed? How does one analyse the relevance of information sent to the government on the one hand and to the territorial bodies on the other? In short, what are the concrete resources at the disposal of the Prefect to carry out his duties, given that his position is a paradox in the sense that he must both integrate national policy and monitor the actions of the local authority without causing conflict (regarding his actions relating to economic and infrastructure development (Montricher 1995))? We can see that the Prefect's mission is to promote the 'common good' without undermining 'local interests'. In this context, what are the strategies which can be observed?

Most of the information in this article was gathered during an enquiry on the policy of '*déconcentration*' carried out in 1994 for the *Délégation à l'aménagement du territoire et à l'action régional* (DATAR) – Commission for regional development. Some of the results were published in 1994 (Montricher 1994).

The Prefect is responsible for harmonizing heterogeneous imperatives which are made known to him in a '*lettre de mission*' when he takes up his post. This means that he is in charge of an office which is more political than technical. To carry out his mission, he has the classical means of administrative co-ordination at his disposal – means which are not always capable of mobilizing players in favour of unity in the implementation of public action. Indeed, in the words of the head of a state service 'his power as a coordinator has been confirmed, but he knows that he cannot impose things, this dynamic must be initiated by the state services themselves. Consequently, he does not affirm his authority too much'. This explains that the Prefect's guiding principle in taking action is to ensure the presence of the institution (of the Prefect) in order to preserve his image as a central player, his capacity to intervene implying a solid knowledge of local life; on the other hand, one remarks the erosion of the power of arbitrage which characterized his office. Indeed, one might well wonder whether the administrative tools of the Prefect are not obsolete in the sense that they may be adapted to a situation which no longer exists. If one accepts this hypothesis, the major concern for the prefectural corps would be to move away from its traditional role as a civil servant of authority and to adopt a manner and style which relates better to local political life as structured and controlled by the local elected Assembly.

In order to explore this question, we have used a reading grid which focuses on the manner in which the Prefect carries out his tasks (for an official presentation of the role of the Prefect, see Bernard 1992). To this end, we shall examine three aspects: first, his capacity to mobilize players; second, the resources at his disposal to harmonize information produced by the field services; and, finally, the constraints which impact on his decision-

making power (regarding the way of running a social sector, see Lascoumes 1996).

1 THE PREFECT AND THE MOBILIZATION OF PLAYERS

Henceforth, the implementation of public policy at local level results from the co-operation between bodies of considerably different status. In an effort to structure this proliferation, the government has entrusted the Prefect with the responsibility for co-ordinating the action of these organizations which differ in their routines, their goals and even in the fundamental values which underpin their missions. In these circumstances, the means deployed to incite the actors to mobilize must be sufficiently strong to counter the natural tendencies towards autonomy and rapprochement of the local bodies even though, theoretically, the Prefect is the hierarchical superior of the heads of the field services. In this context, one should underline the behaviour of the European authorities who do not hesitate to forge direct informal links with the territorial authorities – a fact which is a source of concern to the prefectural corps. We know that, officially, the European Union has links with the state only but, in practice, there is much contact between the territorial bodies and the European institutions.

Concerning the co-ordination of the field services of the state, it is above all a mechanical consequence of decentralization as the reduction in action to be co-ordinated has been caused, first and foremost, by competition from the private sector; a *Président de Conseil général* has estimated that in his department in 1993, 60 per cent of the expertise work undertaken was granted to the state and 40 per cent to private firms. This reduction is also caused by the proliferation of administrative boards and authorities who increasingly compete against the state services and intervene according to their own specific priorities; one might imagine that, in the end, this organizational formula would have major consequences on the ministerial services especially if the planning committees of these public organizations include regional elected representatives which is often the case at present. In general, one observes that, since 1982, the various divisions of the state have distributed an increasingly large amount of resources the control of which eludes the representative of the state with whom relations are very unclear. Finally, the reduction in activity is also due to the pro-active spirit of the local bodies who gradually put into practice the powers which have been granted to them. Thus, when a city judicial administration formally takes over urban planning, the agents of the DDE (*Direction Départementale de l'Équipement*) who used to perform this task must move to other work. On the other hand, the small *Communes* tend to maintain the relations of trust which they enjoy with the deputy-Prefect, particularly as his services are free of charge. The importance of state action at local level depends, therefore, on the decisions taken by the local authorities.

Tendencies to mobilize around the Prefect are confirmed by the behaviour of the field services which, traditionally, are outside his authority with

regard to some of their activities (Ministries of Justice, Education and Finance). Under the influence of decentralization, one can discern a shift in their strategies. In the area of professional training for young people, for example, the Recteurs (heads of the Rectorats, educational areas) regularly participate in meetings with the Prefect to exchange information (responsibility for professional training of young people was granted to the Regions under a law of 20 December 1993); however, they regretted that the 'emplois-jeunes' (jobs created by the state specifically for young people) created by the Ministry of Education in Autumn 1997 were managed in an autonomous manner (*Le Monde*, 27 September 1997). In general, one sees that the actions of the Prefect tend to depend more and more on the support of the field services. Taking into account the substantial reduction in possible action and also the fact that the quality of service to the users favours a regrouping of activities, the Charte de la Déconcentration (decree of 1 July 1992) proposed a 'poles of expertise' (*pôles de compétence*) system of organization, in other words, the bringing together of all public services belonging to the same sector. During the enquiry, the head of a state field service suggested that, in the end, there should be four such poles: education, technical, legal and economic/financial.

Basically, in order to mobilize the representatives of the state, the Prefect is obliged to adopt a system of limited co-operation which relies on the trust he has built up as a result of his neutrality regarding the interests of the different ministries. To this end, the setting up of a Conférence administrative régionale (CAR) is planned. It is to be a forum for exchange where representatives of different services can express themselves but 'often it is more a chamber for recording minutes than a place devoted to strategy development' explains a civil servant of the Interior Ministry. This fact explains that 'the preparatory meetings (pre-CAR) with the general secretaries of the Préfectures are very important in establishing the issues ...' (Lascoumes-Le Bourhis 1997). The CAR constitutes, therefore, a source of information for the Prefect who then mediates depending on the degree of integration which he tries to impose. On the other hand, at departmental level, one observes a marked wariness between the various administrations. As an employee of the Préfecture noted, since 1982, 'The Prefect has real decision-making power, but it is very splintered in the Préfecture and in the state field services' making coherent action difficult to organize in a concrete fashion. If the state administrations in some Departments have become used to working together, this is not the case in the majority of Departments where there exists nothing more than a quite formal monthly meeting where the heads of different services explain, for example, the consequences of the Common Agricultural Policy for the département. In fact, what a manager of state action would wish (the management of state action is one of three such management areas in the Préfecture, the other two being the management of regulations and the management of relations with the local bodies) is that 'concerning the policy of housing, for example,

... at the moment it is carried out by the DDE ... one would wish it to be more collegial ... with the participation of the DDASS (*direction départementale de l'action sanitaire et social*/Departmental body which deals with social affairs) for example ... little by little, one would wish to create a dynamic based on the right of each member of the college to express himself'. Such an objective is not absolutely unrealistic but it will take time to the extent that all co-ordination necessitates a great deal of advance work in the quest for compromises.

Furthermore, in order to mobilize the state field services, the Prefect can take advantage of the prestige which is his as representative of the government as well as the power which is formally granted to him by law (decree of 10 May 1982). This position has led some service heads to move closer to him in order to strengthen their position. This is sometimes the case with representatives of the Ministry of the Environment who consider that, without the support of the Prefect, they will be unable to impose the decision of their preference. It is always the case with the DDASS which has been weakened by the decentralization process. On the other hand, the DDE has managed to maintain a great deal of autonomy owing to the relations of mutual trust which it has preserved with the elected Assembly. In general, these relations are not institutionalized, relying more on the personality of the individuals involved. But in all cases, the strategies of the field services' heads for greater autonomy are circumscribed by the fact that the Prefect grades their professional performance each year.

Finally, the local authorities should, in principle, negotiate most of their state business with the Prefect. The symbol of this modernization is the signing of development programmes between the Prefect of the Region (*Préfet de région*) and the President of the Regional Council (*Président du Conseil régional*). These agreements are signed for four years; they set the main goals of infrastructure and economic regional development which becomes synonymous with local development. One remarks, however, that, given strong pressure from local electorates, the elected representatives tend to treat directly with Paris when they have the impression that their request will receive a more favourable hearing there than at local level. This is what happened during the signing of development programmes in 1993. The Region Centre, for example, received an additional sum of 340M Francs, while the Aquitaine region obtained an increase of 195MF and the region Pays de Loire an extra 325MF (*La gazette des communes*, 24 January 1994).

In an altogether different context, experience shows that co-ordinating players to intervene in local situations can come up against divergent rationalities. This problem particularly arises in the area of maintaining law and order. We know that in France the police were brought under government jurisdiction in 1941, and are therefore under the control of the Prefect (at local level, the powers over the general police force are shared between the Prefect and the Mayor). Since this date, the priorities are set by the

Ministry of the Interior, that is to say that the notion of public order is understood in relation to its conformity to rules, circulars and other procedures which are applied in uniform fashion across the whole of the national territory (Monjardet 1996). In this context, the director of the Prefect's cabinet is in constant contact with the heads of the police, the gendarmerie and the secret services. In fact, one observes important differences depending on the Department: in rural Departments, there are few problems. On the other hand, the potential rise in urban violence has justified the setting up of '*plans locaux de sécurité*' (local security plans). The idea of these plans is to involve the national police as a 'specialized partner of local security policy in the planning and implementation of which all the local players are invited to participate' (Monjardet 1999). Unfortunately, it appears that the Prefects have not been able to mobilize all the players if one is to believe a report which reveals that

prepared in haste, these first contracts seem to resemble more a policy of window-dressing than a real desire to develop a diagnosis of and solutions for the problems of security. . . . Despite the publication of a circular by the Minister for Justice, the courts remain circumspect and in the education sector, the school principals give little information outside areas which are really affected by delinquency problems. The health area (tobacco, alcoholism, mental health) is also more or less absent as is cooperation with the *Conseils régionaux*' (Karsenty 1998).

Thus, the mobilization of players is not only the result of a simple decision taken by the administrative hierarchy, but also the consequence of the perception which the agents of the state have regarding the relations that they can henceforth sustain with the emerging local players. However, the latter, as we have seen, are greatly dependent on the configuration of local power determined by the elected Assembly. In theory, the Prefect is indeed at the centre of state intervention but, in practice, the attitude adopted by the state services depends directly on the balance of power which exists between the representatives of the state and the local bodies as they endeavour to evaluate needs and choose the appropriate solution.

2 THE PREFECT AND THE HARMONIZATION OF EXPERTISE

The second area where the Prefect can manage the public action of the state is his capacity to set the norms according to which the field services intervene, each in its own sector. To this end, he receives instructions from the ministries which may become operational depending on the expertise available. However, the Préfecture controls relatively few resources in this domain, the expertise being localized elsewhere – either in the state field services or in independent entities. One must ask, therefore, what are the tools at the Prefect's disposal to control the criteria of rationality used by the operational units under his authority.

The first configuration concerns the case where the Prefect has a rather

fragile expertise. Such is the situation *vis-à-vis* enquiries into legal compliance. In this area the Préfectures have not yet fully identified a role which would operate in clearly defined missions and according to specific professional norms. In general, the state services become aware of legal irregularities in difficult working conditions because budgetary constraints prevent the hiring of qualified personnel and because there are not enough agents to manage the workload. In this context, the legal verification is not always carried out with the necessary rigour from the agents' point of view. This is the case, for example, when the territorial bodies contract loans abroad.

In the second case, the state services offer reliable expertise but they impose it on the Prefect, leaving him with no decision-making power. Considered in one way as a constraint, this situation is also viewed as a resource whose characteristics must be preserved. According to this latter viewpoint, the technical skills of the field services should be maintained so that the local authorities will come to the representatives of the state for technical expertise. Without this, the services of the latter would rapidly become 'empty shells'. It is thus that the DRIRE (Regional director for industry, research and the environment) is in charge of relations with the regional industrial base concerning questions relating to the environment and development. The authority of this civil servant is based first and foremost on the fact that his legitimacy is inherently recognized as he is usually from a 'grand corps' (Kessler 1994), most often from the 'corps des mines' (National School of Mining Engineering). His power also comes from the nature of what is involved in his role which concerns public security. As one of them put it 'in our area, it is difficult not to take our opinions into account given that security is involved'. Finally, the decisions of the DRIREs rely on the skills of the whole of their network who often meet to circulate standard information, especially to validate and approve each other's initiatives so as to guarantee the industrial bosses that they enjoy equal treatment across the whole of the territory. We can see that, in this area, the Prefect has very little room for manoeuvre.

He has little leeway again when the quality of the action is completely controlled by a field service, for example, by the DRAC (Regional director of cultural action). Not benefiting from a recognition in principle like their colleagues of the DRIRE, the main preoccupation of the DRACs is to have their qualifications recognized. In general today, the Prefect considers them as experts and he endorses their decisions. In fact, the system is based on a double relation of the DRAC who always passes on the relevant information to the Prefect and draws his attention to sensitive files. In return, the Prefect trusts this service head and allows him to work according to criteria of quality which he himself has set with his central administration. Given that the whole game has become politicized, one observes an intensification of relations between the entourage of the ministers and the local elected representatives. In these circumstances, if the Prefect wants to avoid

the risk of being countermanded by ministers, it is in his interests to stay out of conflicts which could arise regarding expertise. As this director of the DDASS who works closely with his Prefect noted 'it is not the Directors of the central administration who shadow us but the cabinet of the Minister'.

Another example of expertise which the Prefect is unable to control is that of the flow of information. In fact, in order to have at his disposal all the data necessary to carry out his role as co-ordinator, the Prefect receives all incoming mail sent by the ministries to the territorial management teams as well as that sent by the state services to the central administration. While this information is necessary, it is often difficult to exploit as it has not been examined and dealt with. We know that the accumulation of data has no operational value if it consists of juxtaposing disparate elements from which it is difficult to draw conclusions. It is, nevertheless, what often happens because the agents of the Prefect's office being too few and not sufficiently specialized are materially unable to perform the syntheses necessary to strengthen co-ordinated action of the state administration. In fact, although the field services of the state are often willing to collaborate with the Prefect or at least ready to give him details of their projects, they insist on dealing directly with him as they do not recognize his administration as having any legal clout. In this context, it would appear that the development of the structures of the Prefect's office constitutes a decisive factor in the ability of the institution to adapt to the new situation.

This is what the following experiment demonstrates. In an attempt to promote inter-ministerial action at departmental level, a Prefect experimented by creating an 'inter-service mission for the environment' within his departmental Préfecture. Public action in the environment area is interesting because it involves emerging political problems for which there does not yet exist real routine procedures. Moreover, players on the ground agree that Prefects are becoming increasingly involved in these questions and representatives of the Ministry of the Environment consider that the Prefect should be involved given that the action is inter-ministerial. However, the configuration of administrative players at local level means that this system is unable to function satisfactorily because it is constantly short circuited by the heads of the most powerful field services, in particular the DDE, who go directly to the Prefect and even to the elected representatives responsible for the projects. One can see that the heads of the state services intend to retain control of their files right up to their implementation so that they themselves can define the substance of the negotiation necessary for co-ordinating the action. At an intermediate level, on the other hand, things are less difficult and the mission can have a role of mediation during conflicts between engineers of the DDAF and the DDASS for example, in an effort to harmonize their positions.

The last situation is that of a conflict between the expertise of several field state services. We have seen that there are constant differences of

appreciation between the DDASS which has total responsibility for water quality and the DDAF which is more an advisory body to the local authorities and, consequently, has a less rigorous attitude as it takes the interests of the farmers into account. In a more general manner, if one takes the development programmes as an indicator of the relations between services in the area of expertise, one does not detect real coherence; on the contrary, everyone's goal is the preservation of the monopoly in his area. This situation explains the limited capacity for co-ordination of the Prefect, despite the collaboration of the SGAR (Regional secretary for regional affairs). This shows the extent to which the Prefects are without clout in the decision-making process of state action in the Region. There have, however, been some changes. For the generation of development projects 1994–1999, the Prefects have begun the preparation of projects relating to territorial development at an earlier stage. This has enabled players to learn to work together and to agree on the share out of responsibilities in the implementation of the project (Montricher 1999).

As we can see, the extent of the constraints imposed on the Prefect reduces proportionately the range of possibilities in relation to determining the criteria of rationality. In fact, the activity of the field services is dominated by the negotiation with their central administration to optimize performance in their sector and not by an agreement with the other services to participate in the elaboration of a coherent offer by the state. Quite the contrary, one notes that with regard to the modernization of the state, the interactions between the central administrations and their field services increase and intensify in an effort to foster a business culture within the ministries. Thus, not only is expertise fragmented but it is also outside the control of the Préfecture. In these circumstances, the Prefect has no option but to rely on the rapport of trust which he enjoys with the service heads, a trust which is based on the information which they pass on to him and the assurance of quality which the support of the central administration guarantees.

There remains the situation – more and more common – where the Prefect must co-ordinate both the expertise of the field services and that of the territorial bodies. As an example, we will present the conditions in which he intervenes in the context of the ORSEC plan. (This is a rescue organization. The ORSEC plan was created in 1952 in order to deal with emergencies. It is planned and put into effect by the Prefect. A law of 1987 has modified its organization and management). In this regard, one cannot but see the gap between the theoretical rationale, including within the prefectural corps itself, and the behavioural realities on the ground. The first point is that a crisis situation is less and less considered as warranting a military-type response and more and more seen in terms of management and leadership. In this context, taking into account the cognitive and political changes resulting from decentralization, the monopoly of the administration is put into question, in fact if not in law. Thus, if the Prefects are

within their rights in occupying a central position during a crisis, some elected representatives, especially the mayors of large cities, can claim the right to a similar role. In this situation, the question of the positioning of the state and that of the role which its administrations play in the decentralization process become central and, in particular,

the current difficulty in conceptualizing the role of Prefects who must not only exercise responsibilities of strict command and be able to provide a clear and credible reference point in threatening and unstable situations but who also play the role of co-ordinators and federators between the players and heterogeneous structures (Gilbert 1995).

As we can see, in his most traditional functions, the Prefect must deal with considerable change in the cognitive references which underpin the search for relevant expertise. A configuration of players in which he had only to co-ordinate highly technical interventions with reference to norms set by the state has been replaced by a new and more complex system based on the specific needs of the territorial body with its multiple objectives and innovations resulting from concrete situations. Thus, the harmonization of expertise proposed by the state depends more and more on an analysis of needs based on the priorities expressed by the local authorities or, if within their power, negotiated directly with them.

3 THE PREFECT AND THE MECHANISMS OF DECISION

The third and final aspect for evaluating the impact of change is operational in nature. It concerns analysing the authority structure of the Prefect in order to determine the leeway at his disposal in the area of decision making. In this regard, experience shows that the clarification of missions in theory has not removed the uncertainty regarding the concrete objectives on the ground.

In his role of implementing government action at local level, the Prefect's main priority is the harmony of that action. This explains that, where there is disagreement, he organizes round table negotiations in order to seek a compromise. Here, the negotiation centres exclusively on secondary aspects of the decision and not on positions of principle. It is accepted that each field service has the right to defend its own hierarchy of values, the common good 'is not considered here to be a rigid and pre-existent requirement but rather the result of permanent arbitrage between the competitors' (Lascoumes-Le Bourhis 1997). If, on the other hand, important questions are at stake, the field service calls into play the Parisian networks through its ministry who, alone or together with colleagues from other ministries, make the governmental choice known to the Prefect. Thus, the Ministry of the Environment has for a long time dealt directly with the Prefects, for example concerning the trips of the minister himself, in order to show the interest which it attached to the settling of affairs in the Department.

The co-ordination of state action is becoming more and more difficult to

carry out because of the increase in the number of autonomous bodies. This is particularly true in the case of the Water Boards which are extremely powerful because they comprise the elected representatives and the professionals and, above all, because they have considerable monies at their disposal from the taxes which they levy. Because of this, they have their own policies and their own relations with the elected representatives which can sometimes put the representative of the state into an ambiguous position. Thus, for example, a Prefect gave his authorization for a new purification system on the same day that the Water Board announced that it was withdrawing support for the project. In this type of situation, the Prefect can do little more than endorse the decision of the board while reminding it that he should be informed of its initiatives before and not after the conclusion of its agreements with the Municipalities. It is undoubtedly due to experiences such as these that some Prefects consider as unhelpful the setting up of over-powerful working groups which might fragment public action.

There is ambiguity again concerning the management of the power regarding the investigations as to legal compliance. Here, the Prefect is obliged to accept the basic uncertainty of the goal to be achieved through use of his power. Since the putting in place of the decentralization process, the local elected representatives form an important political force, useful for supporting the action of the government in Parliament thanks to the rule which allows dual mandates – at local and at national level; they are useful also in the area of exchanges between standard services. This explains why the Prefect has the task of keeping his hierarchical superiors informed of the local political situation but also why his golden rule is never to enter into conflict with the notables of his administrative area. In this way, when the services of the Préfecture become aware of legal irregularities, they make contact with the officer concerned to ask him to rectify the situation, as is prescribed by law; however, even if the latter fails to comply, the Prefect may decide not to proceed with the matter, or to do so too late when legal deadlines have expired. This procedural norm is also followed by the field services providing the service and whose goal it is to retain the custom of the local bodies. They thus enter into local arrangements – for example, if an advertisement of the Conseil général is put up illegally, they will take it down only if there are complaints. These strategies explain for example the fact that, despite the coastline law of 3 January 1986, the urbanization of the French coastline continues. Today, 50 per cent of the coastline is built upon with only 22 per cent benefiting from special protection (Lascoumes and Le Bourhais 1997). One should also note that the Prefect often finds himself in a difficult position if he wants to maintain good relations with the elected representatives and at the same time carry out his job seriously with regard to the verification of legality. This is particularly the case when the imperatives of economic development must be reconciled with those of coastal protection. This undoubtedly explains why

at the beginning of the 1990s, legal action against construction came for the most part from associations and not from the Prefects.

Thus there was ambiguity yet again concerning the modalities of the sharing out of tasks and responsibilities between the agents of the *Préfecture* and the territorial bodies. On this point, it is the courts who henceforth decide on the sharing out of jobs based on an assessment of responsibilities. In this way, the Prefect and the agents of the *Préfecture* are officially considered to be responsible for the smooth running of the public services, that is to say that real decision-making power lies with them: '... it is an undeniable fact that since 1992 there has been a veritable increase in the number of Prefects, deputy-Prefects and civil servants attached to the Prefectures who have been charged with manslaughter and with causing involuntary bodily harm' (Petit 1998) owing to judges' understanding of the structure and working of the civil service. In the *Furiani* case, for example, where a tribune in a stadium collapsed causing serious damage, the *Cour de Cassation* (Supreme Court) considered that the director of the Prefect's cabinet 'had not taken the necessary precautions which he ought to have taken considering his responsibilities, power and resources at his disposal' (Petit 1998).

There is ambiguity again regarding the behaviour of the central authorities of the state. This can be seen from the signature of development programmes, symbol of the new rhetoric concerning the co-ordinating role of the Prefects but which, on the contrary, points up the limitations on their capacity to negotiate. The relation codified by the development programmes is characterized by the number of outside constraints to which the signatories are subject and which in turn reduce the range of possible compromise. The concrete content of the Prefect's autonomy of decision is first of all limited by a system of balancing out between the regions according to fixed criteria, then by the projects complete with details and figures which are simply transmitted to the Prefect by the ministries and, finally, by the delimitation, *a priori*, of the range of sectors to be contracted. We can see, therefore, that although the Prefect formally signs the contract, he has, in fact, little latitude to orientate its content to fit the priorities which he himself has fixed based on the local situation. Worse still, since budgetary restrictions have come in, he must sometimes ask the help of the territorial bodies to implement national policies, as was the case for the project 'University 2000'. As a result of this, a certain number of Prefects have chosen to continue to intervene in a traditional manner relying on the legitimacy inherent in their proximity to the centre, by negotiating with the ministers, even with the Prime Minister, extra advantages for their administrative constituency.

Officially invested with considerable decision-making power, the Prefect could easily find himself marginalized, including being sanctioned by his minister, if he were the cause of a conflict with a politically powerful figure. As Vincent Wright remarked (Wright 1994), one of the major ambiguities

of the French administrative scene 'concerns the overlapping of the local and national systems due to the holding of dual mandates. The Mayor of a commune, even a small one, could well be a Member of Parliament, a Senator, even a Minister, too.' In these circumstances, decision making by the Prefect, even a Regional Prefect, is greatly conditioned by the position of the two players in relation to one another. Indeed, one discovers the same ambiguity in the Prefect's relations with private companies or with the big operators of public services networks because, given their power, it is in terms of a power struggle that decisions are made. This confirms the equivocal nature of the relationships which characterize the French politico-administrative system.

This explains the fact that the interventions of the Prefect retain certain traits which were acquired over the nineteenth and twentieth centuries, characterized by the connivance between the representative of the state and the local notables. Still today, the Prefect requests adjustments to the national norm which take local requirements into account. Let us take the example of the policy of hospital reorganization which the minister in charge of social affairs set up at the beginning of the 1990s. In general, the Prefect was particularly sensitive to the preoccupation of local elected representatives who sought to preserve jobs and refused to reduce the number of hospital beds. In this case, technical studies were carried out by the local services of the Ministry of Social Affairs. Then the central services of this Ministry sought to justify their objectives both to the Prefect and to the local politicians. This power struggle explains why the Prefect tends to appropriate the decision of players external to the Préfecture when this is possible, and to adopt a strategy of non-decision when it is not. In general, for twenty years now, the Prefect has seen new centres of power emerge which, at local level, undermine the monopoly which was his until the beginning of the 1980s when budgetary cutbacks strained his relations with the central authorities. In this way, the balance between his diverse activities has changed, his decision-making power tending to weaken while his activity in the area of negotiation has developed.

CONCLUSION: THE PREFECT AND CHANGE

At the outset, the Prefect was the key player of the centralization policy, acting within the strict framework of governmental directives so as to ensure the homogeneity of the implementation of its policy over the whole of the territory. 'Any idea of Administration and togetherness would be destroyed if each Prefect could base his action on his personal opinion on a law or a government action. The general ideas must come from the centre; it is from the centre that the communal and uniform momentum must come' (Circular of 6 Floreal 1800, quoted by P. Legendre 1968). However, since the passing of the decentralization laws, local political life is no longer ordered by the Prefect but by the locally elected assembly and by the interest groups. At the time of this change, the Prefect was reoriented toward

his role as representative of the government with responsibility for ensuring the coherence of the action of the central authorities in his constituency and organizing the osmosis between the national system and the local ones in the context of the policy of '*déconcentration*'. Often, the instrument of this action is the contract which the Prefect must negotiate with the representative of the local executive after having co-ordinated the interests and objectives of the representatives of the central power. However, a study of the concrete resources at his disposal shows that they are no longer adapted to the conditions in which he exercises his power because decentralization has given rise to numerous competing power bases.

Firstly, since the renewed emphasis on the distinctiveness of each territory (Department or Region), the Prefect has benefited from an important advantage because he has retained his legitimacy *vis-à-vis* the citizens who consider him as the symbol of the state and the defender of the common good. The Prefect has increasingly cultivated this role as the government's mouthpiece in order to differentiate its message from that of the local politicians and to enable him to mobilize all the players concerned. One observes his increasingly frequent use of the press through his relations with journalists. In particular, the setting up of a communication cell within the Préfecture has itself been a means of reminding the public of the role of the state in ongoing public action in the territory. The communication cell also gives a certain visibility to the initiatives of the Prefect who must assert himself on a local scene in which the elected representatives tend to dominate. In this context, the institutional model set up at the beginning of the 1980s and reintroduced at the beginning of the 1990s reaffirms the inter-ministerial role of the Prefect, but the Prefects are not always well accepted by the field services or by public authorities; they wish to preserve their privileged relationship with the elected representatives because the needs of the territorial bodies represent a market in which they must survive by proposing solutions adapted to needs – needs which are norms adjusted to fit differing local priorities. Because the Prefect has never really been able to harmonize the actions of the Administration, some reform projects have proposed to transform him into the local representative of the Prime Minister in order to strengthen his authority *vis-à-vis* the other representatives of the government, i.e. the heads of the field services. Technical in theory, this power can be seen as an attempt to centralize government action in the context of the geographical administrative areas. Whereas the Prefect has few resources at his disposal to mobilize the local representatives of the ministries, the latter, on the other hand, tend to join him spontaneously when the equilibrium of the local politico-administrative system leads them to look for solutions. While the policy of '*déconcentration*' is based on the authority of the Prefect in the territory, in reality it is implemented through the voluntary co-operation of the services in accordance with their strategic alliances.

Secondly, given the importance accorded to the objective of local

development as a growth lever which is based on the independence of local players, the coherence of the information produced by the field services of the state has taken on crucial importance as a source of diagnosis on which to define strategies of action. This shows the extent to which the harmonization of information has taken on a new meaning and that the content on which it is based has altered. In the context of centralization, indeed, the coherence of public action very often resulted from the simple juxtaposition of technical interventions decided on the basis of specialized information gathered by each administrative service. Things have changed since 1982. Firstly, because the Prefect still handles the passing on of political information, he must now add details on the economic and social situation of the territory. The second change comes from the method of gathering the data necessary for action. Ever since questions of employment have taken centre stage in the preoccupations of the government, the Prefect has had to intensify his direct contacts with all the players concerned. This is why one detects a strategy of diversification in these contacts, especially through an extension of his networks into the economic arena and into that of associations. In these relationships, however, he must be vigilant to avoid as much as possible all risks of conflict with one or more of the territorial bodies. In fact, even though it was clearly affirmed in 1982 that the state remained in charge of economic policy, all the local authorities have broken away from this initial regulatory framework. This has given rise to a problem of coherence between the action of the state and that of the territorial bodies. The Prefect must try to resolve this problem by means of procedures which are very often informal such as round table negotiations and financial deals (*Commissariat général du plan 1993/General Commission for Planning*). It is nonetheless true that the information and expertise at the Prefect's disposal to accomplish this mission is often fragmented depending on the priorities specific to each field service. The local elected authority alone has a genuine overall view of the situation at local level.

Thirdly and finally, the decision-making power of the Prefect to put public action into effect has considerably changed since renewed importance has been attached to the criteria of proximity between public action and its users. Firstly, this change concerns the range and extent of his powers as some of them have been transferred to the territorial bodies. Secondly, there has been a change in content – for instance, the emergence of responsibility in the area of verifying the legality of local interventions, whereas most of the Prefect's activity depends on his ability to urge all the players, both public and private, political and administrative, to co-operate within the context of the territory concerned. But, as we have seen, very often, the balance of power prevents him from fulfilling this role.

The administrative model, instituted by the decentralization laws passed from 1982 onwards, perpetuates the French tradition of centralization in the sense that the territorial bodies have been granted a measure of autonomy which the mayors of major cities had sought for a long time. At the

same time, however, the central power put in place a framework to monitor their initiatives. It is the content of this framework, of which the Prefect is guarantor, that poses a problem today because, as we have seen, the instruments at his disposal to carry it out are no longer adapted to the situation, whether it be the organization of the Préfectures or that of the traditional information networks. It is, therefore, this imperative of monitoring which explains both the continuing existence of the institution of the Prefect and its difficulty in integrating into the new context (*Pouvoirs locaux* 2000). As one player explains, 'we have had the Prefect as decision-maker, then as organiser and now we have the Prefect as communicator . . .'. In fact, one might well consider that the modern content of the Prefect's monitoring of local action is less and less a question of authority and increasingly one of information. Today, indeed, some Prefects who reflect on the future of their profession, wonder if it should not develop to become an economic and social watchdog on the government's behalf.

REFERENCES

- Bernard, Paul. 1992. *Le Préfet de la République – Le chêne et l'olivier*. Paris: Economica
- Commissariat général du plan. 1993. Rapport de la commission 'pour un Etat stratège, garant de l'intérêt général' présidée par Christian Blanc. Paris: La documentation française.
- Crozier, Michel and Jean-Claude Thoenig. 1976. 'La régulation des systèmes organisés complexes. Le cas du système de décision politico-administratif local en France', *Revue française de sociologie* 16, 1 (janvier-mars).
- Duran, Patrice and Jean-Claude Thoenig. 1996. 'L'Etat et la gestion publique territoriale', *Revue française de science politique* 46, 4 (août).
- Gilbert, Claude. 1995. *Plan ORSEC et gestion de crise: bilan provisoire des débats. Les cahiers de la sécurité intérieure* 22, IV. Paris: IHESI.
- Gohin, Olivier. 1995. *Institutions administratives*. Paris: LGDJ.
- Grémion, Pierre. 1976. *Le pouvoir périphérique*. Paris: Ed. du Seuil.
- Im, Tobin. 1997. *Le Préfet dans la décentralisation*. Paris: L'Harmattan.
- Karsenty, Jean Claude. 1998. *Mission interministérielle d'évaluation des contrats locaux de sécurité* présidée par Jean Claude Karsenty, p. 31 cité dans *Pouvoirs locaux* 39, IV. Paris: Institut de la décentralisation.
- Kessler, Marie Christine. 1994. *Les grands corps de l'Etat*. Paris: PUF. (Que sais-je n° 1437).
- Lascoumes, Pierre. 1996. *Rendre gouvernable, de la traduction au transcodage*. coll. du CURAPP, Paris: PUF.
- 1998. *Elites irrégulières, essai sur la délinquance d'affaires*. Paris: Gallimard.
- Lascoumes, Pierre and Jean-Pierre Le Bourhis. 1997. *L'environnement ou l'administration des possibles*. Paris: L'Harmattan.
- Legendre, Pierre. 1968. *Histoire de l'Administration*. Paris: PUF (coll. Thémis).
- Monjardet, Dominique. 1996. *Ce que fait la police*. Paris: ed. La Découverte.
- 1999. *Réinventer la police urbaine*. Les cahiers de la sécurité intérieure, 37, III.
- Montricher, Nicole. 1994. 'La déconcentration', dans J.C. Nemery et S. Wachter, *Gouverner les territoires*. Ed. de l'Aube: DATAR.
- 1995. *L'Aménagement du territoire*. Paris: La Découverte (coll. repères).
- 1999. 'Le contrat comme instrument de politique publique. Le cas des contrats de plan Etat-Région', dans Yvonne Fortin ed., *La contractualisation du secteur public*. Paris: L'Harmattan.
- Peters, Guy B. 1989. *The politics of bureaucracy*. New York and London: Longman.
- Petit, Serge. 1998. *La responsabilité pénale des agents publics*. *Cahiers de la fonction publique et de l'administration* 168, mai.
- Pierret, Christian. 1991. *Rapport fait au nom de la commission spéciale sur le projet de loi d'orientation relatif à l'administration territoriale de la République* (doc n° 1888, diffusé le 22 janvier 1991).

QUALITY STANDARDS IN THE PUBLIC SECTOR: DIFFERENCES BETWEEN ITALY AND THE UK IN THE CITIZEN'S CHARTER INITIATIVE

LUCA LO SCHIAVO

Service quality of public services is a major aim of the New Public Management reforms occurring throughout Europe. The Citizen's Charter initiative, launched by the UK Prime Minister John Major in 1991, has been an example followed in some European countries, including Italy (*Carta dei servizi*). This paper analyses and evaluates the cultural differences in the usage of the concept of service quality standards between the UK experience and the Italian one, referring particularly to two kinds of public services, very different one from the other: healthcare and electricity supply. The comparative policy analysis leads to a sketch of two different profiles in the usage of quality standards in the public sector: a *common law* profile, where quality standards are not legal rights but targets to be achieved and improved; and a *public law* profile, where quality standards tend to be overlapped and confused with legal rights of users. Under the latter framework, standards are likely to be sidestepped because they are perceived more as a problem than as an opportunity to change.

1 INTRODUCTION

The word *standard* does not exist in the Italian language. Still, it is widely used in its original form. For public services, the expression 'quality standard' – with the word *standard* generally written in italics – has reached the most formal literature in Italy: the *Gazzetta Ufficiale*, i.e. the official bulletin of the laws. Now several laws and other normative acts refer to 'quality standards'. However, it seems that the original meaning of the word *standard* has not always been captured in the legislative texts: often the concept of *standard* is confused in Italian with the concept of *right*. Instead of being perceived as an objective to be fulfilled and even overcome, in Italy quality standards are associated with legal obligations. You can seldom find statements like 'standards we aim to meet' or 'raising the standards' in the official governmental literature. Rather, the recently issued Italian law for recognition of the consumers' associations states that 'the following are recognized as fundamental rights of consumers and users: (...) delivery of

Luca Lo Schiavo is Quality Regulation Officer in the Italian Regulatory Authority for Electricity and Gas; formerly Deputy Director of 'Cento progetti al servizio dei cittadini', a quality award programme promoted by the Italian Department of Public Service. The views presented in this paper are those of the author and in no way should be attributed to the institution for which he currently works. E-mail: lloschiavo@autorita.energia.it

public services according to efficiency and quality *standards*' (Law n. 281/98, art. 1, para. 2).

Despite the linguistic difficulties, the concept of *quality standards for public services* arrived in Italy thanks to the transposition process of the *Citizen's Charter* initiative from the British native environment. The corresponding Italian initiative, the *Carta dei servizi*, holds more or less the same wording but, as this paper tries to show, is very different for several reasons, including the nature and meaning of quality standards, the actual results of the programme and the change implementation process.

Why are such similar concepts and initiatives so different from one another, under apparently similar names? How do the cultural and institutional differences between the two countries produce differences in how quality standards are defined, implemented, monitored and evaluated? The aim of this paper is two-fold: first, to compare the achievements of the initiatives for quality improvement in the public sector in the two countries; second, to understand whether the differences in the results can be explained in terms of different cultural contexts in which an apparently identical concept has been transposed.

In the following section, both the British and Italian initiatives are over-viewed. Then, quality standards are analysed in their application in two public services, healthcare and electricity supply, comparing Italy and the UK (section 3). The comparison between the two initiatives is also carried out on the basis of the different policy paths in the two countries (section 4). In the conclusions, two different patterns are identified, referring to the different legal context of the two countries.

2 BACKGROUND

It is not possible to summarize in a few lines the initiatives of the *Citizen's Charter* in the United Kingdom and in Italy. The following paragraphs just aim to provide the basic elements for the discussion developed below.

2.1 The citizen's charter in the UK

The *Citizen's Charter* initiative was launched by the UK Prime Minister John Major in 1991, as a ten-year programme aiming at improving the quality of the services delivered by the public sector. The basic idea was to set quality standards, measure performance against them, and raise the standards through the pressure that users can exert on the service providers, as a result of openness, information on the standards and on actual quality levels. The general framework of the *Citizen's Charter*, published in a White Paper in 1991 (Cabinet Office 1991), suggested that service providers should have to 'put things right when they go wrong', for instance through effective complaints procedures or refunds where applicable.

Quality standards are the core of the *Citizen's Charter* initiative. Not by chance, in the first years the subtitle of the initiative was 'Raising the standards'. Quality standards have been defined, sometimes at a national level,

sometimes at a local level. By 1996, 42 national Charters had been issued, and almost 10,000 at a local level according to the estimation of the Citizen's Charter Unit of the Cabinet Office (Cabinet Office 1996). Quality standards are set both in a quantitative way (as a threshold value applied to a quality indicator, for instance waiting times or regularity in rail transportation) and in a qualitative way, through statements that commit the organization, for instance to respect the privacy and dignity of the patients. Unusually, the standards are linked to a refund scheme in case the actual service is delivered below the standards. Direct payments to the users are not such a common practice (Curwen 1996): in railways, if standards are not met the price of the season ticket can be decreased, and in public utilities like electricity and water (but not gas, owing to the liberalization of the domestic gas market), suppliers have to refund users directly if guaranteed standards are not met. In many more cases quality standards are not directly related to an economic effect. However, quality standards are in general subject to some control, at least for the main Charters. For instance, services provided by local governments (fire and police services, waste collection, and so on) are controlled by the Audit Commission, a semi-autonomous body that publishes the 'league tables' of performance indicators (Bowerman 1995). Comparative pressure on service quality is an important aspect of the Citizen's Charter initiative.

The Citizen's Charter initiative has been presented emphatically by the government: for instance, the Financial Secretary to the Treasury described the Citizen's Charter in the House of Commons as 'simply the most comprehensive programme ever launched by any Government anywhere to improve public services' (quoted in Connelly *et al.* 1994). Perhaps as a reaction to the government rhetoric, the Citizen's Charter has not been exempt from criticism.

Especially in the first years of the programme, several British scholars attacked the initiative. The Charter has been strongly criticized for being:

- misnamed, because terms like citizen, client, consumer, customer, user, are treated synonymously when they are not in fact equivalent (Elcock 1996);
- misleading, because citizenship cannot be reduced to the use of public services (Easton 1996);
- conceptually confused with regard to quality standards, and often inconsistent on the means of redress (Pollitt 1994; Tritter 1994);
- unambitious because it simply includes restatements of existing entitlements, and does not in reality do much to further the concept of redress; nor does it solve the problem of funding the service quality improvement (Wilson 1995).

It is beyond the scope of this paper to evaluate Conservative rhetoric and academic criticism of the Citizen's Charter Initiative. Suffice to say that the UK government has maintained the Citizen's Charter initiative for five

years, involving central departments, local governments, independent regulatory bodies and evaluation agencies. Progress reports have been issued by the Cabinet Office in charge of the initiative (Cabinet Office 1992, 1994, 1996); some projects of support have been funded and carried out, such as Charter Mark to recognize best practices and Quality Networks to spread best practice. The new Labour government, which has recently opened a consultation round to review the Charter initiative (Cabinet Office 1997), recognizes it as not being a 'public marketing' fad, but a courageous programme to introduce quality management and improvement in public services.

2.2 The *Carta dei servizi* in Italy

The UK Citizen's Charter example has been copied in several European countries (OECD 1996; Kuuttiniemi and Virtanen 1998). Among others, France, Belgium, Portugal and Italy have adopted legislative measures to introduce quality in public services and in the public administration that have been inspired by the Citizen's Charter initiative (for instance: *La Charte des services publics* in France, *La Carta dei servizi* in Italy, *Carta para a qualidade nos serviços públicos* in Portugal). In some cases, as in Belgium, implementation difficulties were carefully managed; in other cases, as in France, the initiative did not survive its own political sponsors; in other cases, such as Italy, the implementation phase was subject to stop-start due to political instability, with differing paths and results in the different sectors where the Charter was introduced.

In Italy, the *Carta dei servizi* was launched in 1993 by the Minister of Public Service in the government led by Mr Ciampi (former Bank Governor), after a study tour in Great Britain (Cassese 1994). Also in Italy the *Carta* was launched through a White Paper (*Dipartimento della funzione pubblica* 1993) – quite an uncommon tool in Italy – and was realized via a 'Directive of the Prime Minister' (*Direttiva del Presidente del Consiglio dei Ministri del 27 gennaio 1994*), which is not a law voted by Parliament, but only a sort of circular of the Premier to every public office. As in the UK, the *Carta dei servizi* means, basically, that public structures are accountable for quality standards and have to put into practice a control and evaluation system in order to improve services quality. The main difference between the British and the Italian version of the Citizen's Charter is that *in Italy no standard was set on a nation-wide level*. Thus, public structures of every kind (hospitals, schools, courts, utilities, local authorities offices, etc.) were asked to set their own quality standards, to publish them and to verify them yearly. As a consequence, each public service provider legitimately identifies different quality factors and standards.

For the weak legislative tool used, combined with the choice not to set fallacious nation-wide standards, it could seem that in Italy the Citizen's Charter has followed a bottom-up approach. But this is only a half-truth. Indeed, the *Carta dei servizi* allowed public structures a very short time,

only three months, to set their own quality standards. Such a short time was thus a clear demonstration of an evident underevaluation of implementation factors, typical of the public-law culture which is dominant in Italy. With the total absence of any support to public service providers for the implementation, only 40 out of the relevant universe (almost 40,000 public service offices) presented their Charters to the Department of Public Service by the end of 1994, not three but twelve months after the Directive was issued (Lo Schiavo 1997a). Without any real evaluation of the difficulties and of the reasons of such an evident failure, a new law in May 1995 was approved by Parliament to re-launch the *Carta dei servizi* (Law n. 273/95, art. 2).

Introducing a new law to reinforce the first juridical tool (the Directive of the Prime Minister, far weaker than a law in the legal system) can be seen as a classical law-oriented measure. But the substantial problems of introducing quality in the Italian public sector were not tackled: the new deadline was as short as the first; the only difference being that it involved different sectors in a progressive way, according to general frameworks established for each sector. Under the new law, the first public sector to introduce the *Carta dei servizi* was the national healthcare system (SSN, *Servizio sanitario nazionale*). The second sector was the education system; other sectors were subsequently involved in the implementation of the *Carta dei servizi* programme (gas and electricity utilities, mail, pensions). Some years after the introduction of the law, the results have been very different from one sector to another.

Thanks to a programme of support for implementation, led by the Department of Health Care without any extra funding, the *Carta dei servizi* is now widespread in Italian hospitals and health districts. Whilst in the education sector for instance, where no support programme was promoted by the Department of Education, nor by the large majority of Regional School Offices, implementation results are far more unsatisfactory, even if a large number of schools' Charters are now available. Anyway, the existence of the *Carta dei servizi* is still ignored by the wide majority of the citizens, as some surveys show (see table 1).

TABLE 1 *Acquaintance of citizens with the Carta dei servizi in Italy*

Sectors of public services involved	Acquaintance among citizens (*) %
● National Healthcare Service	10.0
● Schools	7.4
● Electricity utilities	9.5
● Gas utilities	9.6
● Post office	6.0

(*) Index: percentage of citizens interviewed who declare to know the *Carta dei servizi* in January 1998 (Source: *Autorità per l'energia elettrica e il gas*, 1998; survey *Demoskopea*, N = 3499)

3 QUALITY STANDARDS

3.1 What are quality standards?

'In themselves, standards are merely qualitative or quantitative measures to which values can be assigned' (Williamson 1992): this definition of quality standards, provided by one of the most experienced commentators in applying quality standards to public services, is perhaps the simplest one, but indeed the most meaningful, because it encompasses a lot of different types of standards. First, as standards imply measures, the typical characteristics of measurement are relevant, like validity, reliability, functionality and legitimacy (Bouckaert 1995). The first two of these features relate to technical soundness of measurements: a valid quality measure reveals what it professes to reveal, and a reliable measure has stability in place and time. But the last two – functionality and legitimacy – relate to the organizational, social and political effects of measurements. A quality measure can be valid and reliable, but it may be dysfunctional because it does not support the aim of the organization or it may not work because of a lack of legitimacy.

Second, quality standard can be based either on qualitative or quantitative measures. Of course, quantitative ways to express standards can be preferred, especially by customers, but some quality aspects are so intangible that measuring them in digits may be misleading. This does not mean that intangibles cannot be measured, only that they are harder to understand, make and explain. The risk is that because of these hindrances, only a few aspects of quality are measured. If the *scope* of quality measures is too narrow, it is likely that quality standards will be rejected as not relevant or, worse, misleading.

Third, standards are values, and values derive 'from changing knowledge, increased sensibility, shifts in power and new perceptions in interests' (Williamson 1992). Thus, the *process* to set, verify and raise quality standards is very important (open and participative vs. internally oriented). In the process of setting standards, important choices have to be made. The acceptability of the levels of quality standards will depend on the *usage* of the standard (average standard or minimum standards), on the *breadth* of quality standards (local vs. national), on the *effects* attached to quality standards mismatch (economic vs. legal vs. image-effects). All these features can be combined in different ways, according to the cultural and institutional context and to the technical nature and social impact of the relevant public services. In the following paragraphs two public services (healthcare services and electricity supply) are examined in more depth to show how quality standards can be interpreted in different ways.

3.2 Quality standards in healthcare services

Both the Citizen's Charter in the UK and the *Carta dei servizi* in Italy had to cope with the problem of defining and setting quality standards in healthcare. In the Patient's Charter, quality standards are clearly indicated

as different from rights: 'Throughout this document we refer to: *rights*, which all patients will receive all the time; and *expectations*, [that] are standards of service which the NHS is aiming to achieve. Exceptional circumstances may sometimes prevent these standards being met' (Department of Health 1995). For example:

Personal consideration and respect:

- You have the *right* to choose whether or not you want to take part in medical research or medical student training.
- You can *expect* all the staff you meet face to face to wear name badges.
- You can *expect* the NHS to respect your privacy, dignity and religious and cultural beliefs at all times and in all places. For example, meals should suit your dietary and religious needs. Staff should ask you whether you want to be called by your first or last name and respect your preference.

The example shows also that not only quantitative standards are set but also qualitative ones. Among the quantitative standards, waiting times are indicated for emergency services, for outpatients' admission to hospitals, and for other healthcare community services. The first edition of the Patient's Charter in 1992 was heavily criticized because it defined the *right* to be admitted to hospital within two years. This right has been modified down to 18 months in the second edition (1995), and is still in force, even if the new government has announced a new Patient's Charter. In the same document, *standards* are much more ambitious: 90 per cent of outpatients to be admitted within 13 weeks (i.e. three months), 100 per cent admitted within 26 weeks (i.e. six months). The data published regularly by the National Health Service Executive (now also on the Internet) show to what extent standards are met. As an effect of the Patient's Charter initiative, according to the government report, 'the number of people waiting more than one year for hospital admission in England has fallen dramatically from more than 200,000 patients in 1990 to around 4,600 patients in March 1996' (Cabinet Office 1996). However, quality standards should not be confused with rights: 'the Citizen's Charter contains no declaration of rights traditionally understood as being of a civil or political nature' (Blackburn 1993). And again: 'Charters and standards do not appear to confer any more rights than existed previously, [even if] they do perhaps convey a moral obligation to be more answerable and responsive to the public' (Gaster 1995).

Even the 18 month hospital admission 'right' is a *standard*, not a right, because there is no legal entitlement and no recourse to recompense or appeal if one is kept waiting for longer. Flynn refers to 'rights' in the Patient's Charter as standards: 'on occasion, the publication of standards seemed to be directed towards depressing expectations: for example, the NHS standards published for 1995 stated that all patients should be admitted to hospitals within 18 months' (Flynn 1997). Of course it is not

easy to explain all this to the average citizen, but it is clear that *in the UK quality standards are not legal rights*.

In Italy, the National Healthcare Systems have been influenced by strong regionalist reform in 1992–3. Regional governments (whose Presidents are now directly elected by the people) are accountable for spending and for performance. A central ministry still remains, but its functions are merely of general regulation. In these conditions, it seems reasonable that quality standards for the healthcare services are not set by the central government.

What is odd is that regional governments were not supposed to set their own regional standards. The Italian *Carta dei servizi sanitari* (healthcare services Charter) allowed each hospital and local healthcare unit to set their own standards, and even to choose their own indicators. It is therefore very difficult to evaluate the overall situation. In some cases, some hospitals dramatically reduced their average waiting times, but these cases seem to be occasional and spontaneous. The first evaluation report issued in 1997 by the Italian Department of Health Care confirmed that 'altogether, quality standards are the most difficult issue that Local Healthcare Units have to cope with in the adoption of their *Carta dei servizi*' (Ministero della sanità 1997). Given the wide differentiation of local quality standards, the Department of Health Care has not been able until now to compare actual results with standards, not even with regard to waiting times for hospital admissions. Moreover, the qualitative standards have been adopted only in a few cases; as a result, some very important but intangible aspects of healthcare quality, such as privacy, nursing care, catering and so on are often excluded in the Charters of the Italian healthcare services.

To help solve these problems and to avoid a command-and-control approach, the Italian Department of Healthcare promoted a quality network, called 'Laboratory of the *Carta dei servizi*' to compare the best practices in setting quality standards and to spread them among healthcare local units and hospitals (Ministero della sanità 1996; Lo Schiavo 1997b). The second evaluation report issued in 1999 by the Italian Department of Health maintains the lack of a quantitative evaluation of healthcare service by keeping self-defined quality standards, but as a result of networking activities lists 112 cases of best practice in improving services, classified by quality factors (Ministero della sanità 1999).

3.3 Quality standards in electricity supply services

Obviously, electricity supply is a very different matter from healthcare services. In electricity supply, tangible aspects of quality prevail; a long term and acknowledged engineering science has been committed to measuring them; and generally citizens perceive the service as one of the best among the public services. Continuity of supply is generally the most important quality factor, because today every activity, either domestic or business, is dependent upon electric appliances.

In the UK, electricity utilities have been privatized, and they are subject

to the regulatory control of an independent body, the Office of Electricity Regulation (Offer). Offer was set up by the government with the Electricity Act in 1989 in order to protect the interests of all electricity customers and to promote competition in electricity supply throughout Great Britain. The Director General of Electricity Supply sets quality standards for the public electricity suppliers on the provision of electricity supply services to customers. The standards are set following consultation with suppliers, the Electricity Consumer's Committees and other customer representatives. One of the main purposes of the standards is to set a common framework for customer service provided by the suppliers. This framework is intended to ensure a minimum level of service for all customers and to encourage companies to aim for higher levels of performance.

There are two types of quality standards.

- Guaranteed standards set service levels that must be met in each individual case. If the company fails to meet the level of service required, it must make a compensation payment to the customer affected.
- Overall standards cover areas of service where, whilst it is not feasible to give individual guarantees, it is appropriate to assure customers in general that companies will provide predetermined minimum levels of service.

Nowadays, the guaranteed standards cover 11 areas of service and the overall standards eight. Initially, the levels set for guaranteed and overall standards were set broadly to reflect service standards that existed before privatization, or even lower (Rawlings and Willett 1996). Since then the Director General has extended and raised the standards to the benefit of customers. Offer requires that public electricity suppliers communicate quality standards to the users at least once a year through the final bill. Offer's Report on Customer Service publishes every year full details of the performance of the companies against the quality standards. Overall performance by public electricity suppliers in meeting guaranteed standards has continued to improve since 1992/93, the first year in which the standards were applied. Customers who received payments, that are compulsory when guaranteed standards are not met, were more than 12,000 in 1992/93, nearly 8,000 in 1993/94, 5,400 in 1994/95, 3,800 in 1995/96 and 2,251 in 1996/97 (Offer 1998).

The same happens for overall standards, even if no economic incentives were set for them, but only comparative publishing procedures among the different suppliers. Table 2 shows how the overall standards (that are different for each electricity supplier) have been raised by the regulatory authority over the years.

Also in Italy the *Carta dei servizi* applies to electricity services. As in healthcare services, quality standards have been set until now by public service companies themselves, not by an independent regulator. Quality standards set by each utility until now have generally not been particularly

TABLE 2 Overall quality standard improvement in the UK electricity sector

Overall quality standards	1991-92		1997-98	
	standard %	actual %	standards %	actual %
Supply interruptions restored in 3 hours	70-80	80-91	80-95	81-93
Supply interruptions restored in 24 hours	95-100	99-100	99-100	98-100

*Offer 1998, the ranges of overall standard of performance are indicated

ambitious and, above all, have not proved to be effective. Moreover, compensation payments in case of failure to meet the standards are currently made only when requested by the user affected. But quality standards are not generally known by the electricity users, because the fragmentation of standards does not help their communication. As a consequence, hardly any payments are requested by the users: in the first year of application (1996), out of more than 22,000 cases in which quality standards were not met, only 26 users were actually refunded (Autorità per l'energia elettrica e il gas 1998).

An independent regulatory authority for electricity and gas, created in 1995 and fully operative since 1997, is in charge of setting and verifying quality standards. New quality standards common to all electricity utilities were introduced at the end of 1999, after wide consultation with companies, users, trade-unions and environmentalist groups. The new standards set by the regulatory authority are far more ambitious than previous companies' self-defined standards; the regulatory authority also put in place an incentive system to stimulate the reduction of electricity supply interruptions, especially in Southern Italy, where electricity customers suffered a two-to-three times higher ratio of interruption per user.

4 POLICY PATHS

It would be a very big mistake to assume that quality standards are only technical mechanisms *per se*, and that they are to be left to quality professionals. Indeed, quality standards are tools for *public policies* that aim to enhance the quality of public services and, as a final objective, to satisfy the expectations of the citizens in their double role as users of the services and taxpayers or tariff-payers. Evidence provided by recent social studies in Italy highlight the relationship between satisfaction with public services quality and trust in public institutions (Diamanti 1998; Sciolla 1997).

In general terms, policies aimed to enhance public services quality are sustained by Citizen's Charter initiatives. It is therefore interesting to depict briefly the life-cycle of the Charter policies in the two countries analysed in this paper. Although very synthetic, this analysis can help us to understand different cultural contexts in which apparently the same policy has been developed, with different processes and results.

4.1 Agenda setting

In the UK, the quality of public services rose as a critical issue after the Thatcher government. The values of the new Prime Minister, John Major, based on the superiority of the private sector over the public sector or blind trust in competition mechanisms even in the public sector, were not very different from those of his predecessor, Mrs. Thatcher. However, the emphasis put on new public management and on the quality of public service seemed to be the distinctive feature of the new Prime Minister. He also inherited a very difficult situation in public services, which were in bad condition after the Thatcherist campaign of denigration of public sector professionals, like teachers or general practitioners (Flynn 1993). For example, 50,000 people had been waiting for hospital admission over two years in March 1991 (Cabinet Office 1992). The focus on the issue of quality for public services seems to have strong roots in John Major's political aspirations. He aimed to give positive targets both to citizens and public sector operators, building on their pride in better primary services, like the NHS or the education system. This is also confirmed by the fact that the Major government reversed some of the tendencies of the previous government, adopting a more open and consultative style (Kavanagh and Seldon 1994).

In Italy, the political situation in which the *Carta dei servizi* was born was very different. The *Carta dei servizi* is not the 'big idea' of a new political course. On the contrary, it could be said that it is the by-product of a technical government (Prime Minister Ciampi, May 1993 to May 1994) in very difficult economic and social circumstances. The Ciampi government tried to introduce regulation of public service, creating a new regulatory agency (Dente *et al.* 1995), but the aim of the legislation dashed the hope for a stronger regulatory institutional solution. Thus the government decided to launch the *Carta dei servizi* initiative and issued the Directive. Mr. Ciampi, like his predecessor Mr. Amato, put the modernization of public administration at the centre of his policies, but it might be difficult to say that the quality of public services rose as a result of being perceived as a critical issue by social actors. On the contrary, in the original documents and also in the subsequent literature on the *Carta dei servizi* – generally law journals – the programme is seen as a means of extending to public service the formal guarantees provided by a previous law (n. 241/90) to citizens as regards the proceedings of public administration (Cassese 1993; Vesperini and Battini 1997). Very little attention has been devoted to change implementation features, including management tools for improving quality at the delivery level.

4.2 Decision making

In the UK, the decision to launch the Citizen's Charter initiative was not only led by a strong political commitment, but it also seemed to be a very conscious choice. As already mentioned, the Prime Minister presented the initiative as a ten-year programme, and this time span is always recalled

in the following progress reports. As observed by many researchers, one of the main features of the Charter programme is the top-down decisional style (Holmes and Shand 1995) – even if some typical bottom-up tools are also employed, like the Charter Mark and above all the Quality Networks.

On the contrary, in Italy, the decision to launch the *Carta dei servizi* can be described in more casual terms, using for instance the ‘garbage can model’ (Cohen *et al.* 1972; March and Olsen 1976; Warglien and Masuch 1995), rather than as a result of a fully aware decision process (Lo Schiavo 1997a). It is difficult to explain, for instance, why such a short time was allowed for public services to adopt their quality standards, in a cultural context in which quality management was totally ignored. For instance, it is easy to recognize the classical public law mindset, in the decision to issue the 1995 law on quality when it was clear that the Directive of the Prime Minister failed, without any clear evaluation of the points of strength and weakness.

Moreover, in the first five years since the introduction of the *Carta dei servizi*, there have been five different governments in Italy. The political instability has been not only a roadblock for implementation, but also a generator of different policies in the *Carta dei servizi* evolution path. For instance, the original Directive encompassed all the public service sectors, while the following legislation repaced the flow according to sectors, but kept the same short deadline for the public service to adopt their charters, not taking into account the failure of the previous scheme. Finally, the set of norms about quality standards and the *Carta dei servizi* now seems inconsistent and self-contradictory even to the same people who were responsible for writing the Directive in the staff of Mr. Ciampi’s government (Vesperini 1998).

4.3 Implementation

Even if some criticism can be made of the British Citizen’s Charter initiative, it cannot be said that it was not accurately implemented. The government has invested resources in implementation, especially competence and information resources. Not only was a dedicated staff created inside the Cabinet Office, with the mission of achieving the targets of the initiative (the Citizen’s Charter Unit), but also several other competent institutions were involved. The Unit co-operated with departments in laying down the national charters, and promoted programmes to support the initiative. The most important and well known of these programmes is the Charter Mark, but also Quality Networks and the Complaints Task Force should be noted. All these programmes, that are aimed at recognizing, learning from, and spreading best practice, demonstrate how much the implementation phase must be rooted in real experience (The Citizen’s Charter Complaints Task Force 1995).

Implementation is the phase in which the two initiatives, so similar with regard to names and contents, differ most. In Italy, not a skilled unit but a committee (*Comitato permanente per l’attuazione della Carta dei servizi pubblici*),

formed by three part-time experts without permanent staff, was charged with the implementation of the *Carta dei servizi*. According to the Directive, the Committee should examine every Charter, assess the adequacy of quality standards, complaints and refund procedures, and verify whether quality standards were being met. On paper, the Committee could refuse to sanction the administrations that did not adopt or respect quality standards, though it was evident the Committee could not control each public service in such an invasive manner. The programmes which aimed to support the implementation have been launched not by the Committee itself but by central departments, such as the Department of Public Service and the Department of Healthcare. These programmes have never been recognized by the Committee, which generally considered unwarrantable the intermediate roles of the departments between itself and the public service providers. The Italian quality award for public services, '*Cento progetti al servizio dei cittadini*' (Dipartimento della funzione pubblica 1995, 1997) has never been formally linked to the implementation of the *Carta dei servizi*.

The political and institutional resources committed to the policy of the *Carta dei servizi* have been very small. From the political and institutional viewpoint, the *Carta dei servizi* has been an *abandoned* policy (Lo Schiavo 1998), because of the shortage of political and competent resources devoted to it by relevant institutions after its launch.

Nonetheless, and *paradoxically just because of this political and institutional abandonment* of the policy, the implementation phase of the *Carta dei servizi* has been extraordinarily rich in experience for a public law country such as Italy, where the making of any reform law usually receives much more attention than its implementation (Dente 1997; Fedele 1998). As an 'inverted sequence' (Hirschman 1971), this inherent failure of the central control scheme has resulted in the Committee presiding over an implementation phase hidden but very rich and atypical in the Italian administrative scenery (Pasini 1999; Ruffini 1999). Several very interesting experiences of local implementation have been developed, and some sector programmes have been launched and sustained by social actors like industry associations, particularly among the local utilities. It is meaningful to note that in the healthcare sector there was an 'unauthorized' actor (in the legal mindset of the Committee), the Department of Healthcare, which led the implementation programme; for the Department, this experience has meant a great effort to modify its own role towards the local healthcare units, moving from the traditional command-and-control scheme to a more innovative role of supporting decentralization (Liberatori 1996).

The true balance of the implementation phase of the *Carta dei servizi* must therefore be twofold. On one hand, it has to be recognized that the implementation experience has not been successful in reaching the citizens: 'the mobilisation of the citizen as the customer (the inherent target of the *Carta dei servizi*) seems to be extremely complex and difficult' (Dente 1995). However, on the other hand, many cases of local implementation of the

Carta dei servizi have brought the undeniable benefit of starting a learning process among public bodies. A learning process is the necessary precondition of any quality improvement programme. In a certain sense, it could be said that the *Carta dei servizi* has been a sort of vast training course for many public service providers that now (only now) are ready to cope with the real problem of enhancing the quality of their services in a way recognizable by citizens.

4.4 Evaluation

In the UK, independent bodies, like Offer, Ofsted, Audit Commission, NHS Executive and so on, have been involved in measuring and evaluating results. Generally, this means that results of the evaluation have been used to instigate a learning process and to improve services, rather than just to sanction the poor services. Even in the electricity sector, where the regulatory authority could impose automatic payments in cases where quality standards were not met, a learning process has taken place, for instance through the publication of a best practice guide for quality standards (Offer 1995). Evaluation was not restricted to quality standards control, but rather was enlarged to cover the programme as a whole. The Citizen's Charter Unit regularly published progress reports, monitoring of the overall results and the new goals. Also the 'exercise of consultation' launched by the new government is actually a participative evaluation round (Cabinet Office 1998a). The surprisingly high response to the consultation, the number of different institutions and associations involved and the breadth of issues discussed demonstrate how important policy evaluation is in quality standards programmes like the Citizen's Charter initiative.

In Italy, where evaluation is still in the early stages (Stame 1998), the *Carta dei servizi* has been a basis for experimenting with the evaluation of quality standards and policies, sometimes with the participation of consumer associations. Nonetheless, the *Carta dei servizi* evaluation experiences have been sporadic and generally restricted to certain sectors. As usual, the healthcare sector is the most experimental (Tasca and Vannozzi 1997): beyond the two evaluation processes led by the Department of Healthcare, whose final evaluation reports have already been quoted, it is important also to note the participative quality audit methodology developed and practised by the most important healthcare users' association (*Tribunale per i diritti del malato*). This methodology, called APQ (*Analisi partecipata della qualità*, Quality Participative Audit) consists of a quality audit in which trained volunteers observe how a hospital functions for a long period of time, recording each situation of non-conformity and producing a report that is submitted to the healthcare management structure (Moro 1998).

In some cases, also, evaluation of quality standards has been developed by local institutions and by consumer and citizens' associations at area level, for instance for a single region (Mellana 1997), or for a single province (Prosperetti and Morini 1998), or for a single city (Autorità per i servizi

pubblici locali del Comune di Roma 1998). At a nation-wide level, the experience of the regulatory authority for electricity and gas – which defined new standards for electricity services after wide consultation – seems to show, for Italy, a relatively new way of participation for consumers' associations in quality policies (Malaman 1998).

Albeit sporadic and not systematic, all these evaluation experiences show another side of the contradictory Italian experience. Even if, on the whole, it would be difficult to deny that so far evaluation has been the 'big absentee' in the *Carta dei servizi* story, it is also undeniable that the 'abandoned policy' has been the opportunity for a number of new actors to experiment with evaluation and participation (Lo Schiavo 1999).

5 DIFFERENT PATTERNS: QUALITY STANDARDS BETWEEN ACTION AND LAW

Even if the two initiatives have the same name, there are big differences between them. Table 3 tries to summarize the most important differences. If it is true that the *Carta dei servizi* is a translation of the Citizen's Charter – in both senses: linguistic and dynamic (Czarniawska and Joerges 1995; Gherardi 1998) – why are there so many differences between these two initiatives? The answer is probably rooted in the different cultural context of the two countries, particularly with regard to the link between law and action. The UK is a common law country. The Citizen's Charter has been presented from the beginning as non-legalistic. In 1994, Mrs. Diane Goldsworthy, deputy director of the Citizen's Charter Unit, said:

We have an enormous advantage in being able to make changes without large-scale law-making. As you know, there have been suggestions that the Citizen's Charter needs 'legislative teeth' in order to achieve results and to protect accountability. I do not share this view. Legislation to empower citizens to obtain their entitlements from public services could in practice become a constraint on developing more flexible, responsive public services that reflect what people want today (Goldsworthy 1994).

In the last evaluation process, the new government asked how best quality standards should be enforced. In the new *Servicefirst* programme (the new Charter programme), quality standards will have a legal basis. The government plans to place a statutory requirement on all public services to set quality standards and to publish information on their performance against them (Cabinet Office 1998b).

In a few words, in a common law country like the UK, change in law *follows* change in the public services. In a public law country like Italy, it is exactly the opposite: change in law is required *in advance*, but generally is not sufficient to implement real changes. The statutory requirement does exist, but quality standards are fragmented, side-stepped, unknown and ineffective. The 'dominant law culture' (Donolo 1997) is so strong that it overshadows the implementation problems. Under such a culture, even the

TABLE 3 *Comparison between the Citizen's Charter and the Carta dei servizi*

	United Kingdom	Italy
Meaning of quality standards	Good practice; generally distinct from the rights of the users.	Minimum practice; generally confused with the rights of the users.
Nature of measurement systems required by the quality standards	Both quantitative (waiting times) and qualitative (relationship between providers and users). Standards are verifiable in both cases.	Only quantitative (typically waiting times), but the variety of standards hinders comparison
Process of standard setting	Quality standards are set at a central level for the national relevant services, and at a local level for others.	Quality standards are set and controlled by service providers themselves (but in two sectors, electricity and gas, a regulatory body is now in charge of setting national standards).
Control scheme	Generally controlled by independent bodies that publish comparative tables of actual results against quality standards.	A feeble committee is in charge of an enormous task of control. No comparative table is published on quality standards and actual results (a part from electricity and gas sectors due to the new regulatory body).
Effects of quality standard	Thrust for improvement, using the pride of providers; in some cases, automatic refunds or tariff discounts as guarantees for users.	On paper, guarantee for users. Actually, refund schemes are not implemented and, if they are, compliance costs hinder effectivity of the refunds.
Quality standards policy implementation	The initiative is considered as a long term (10 year) programme; implementation is the most important phase; a skilled staff is in charge of the implementation	Implementation is seen as a series of normative acts; the time factor is undervalued (3 months allowed to each public service provider to set their own standards).
Quality standards policy evaluation	Participative evaluation through a consultation exercise; evaluation as a learning tool.	No policy evaluation, but occasional, even interesting experiences.

promising local experience of implementation and evaluation remains hidden and is not diffused. The need for evaluation is hardly perceived, because evaluation could show that real things are different from how they should have been according to the law. If existing laws are seen to be ineffective, the typical response is that new laws are issued, apparently more enforceable and just as under-implemented as the old ones.

Despite the relative homogeneity in names, the differences between the two Citizen's Charter initiatives in Italy and the UK are deeply cultural-specific and keenly related to the different legal, social and institutional roots of European countries. Although there are important exceptions to

the following rules (for instance, in Belgium, a country with a strong administrative system, *La Charte des utilisateurs des services publics* has been carefully implemented; see Ruffini 1999), the two cases of the UK's and Italy's Citizen's Charter initiatives can be illustrated by two different profiles in the application of quality standards in the public sector.

- (a) A *common law* profile is where quality standards are not legal rights but targets to be achieved, and can be defined either in quantitative or non-quantitative terms, provided that standards are verifiable in both cases. In this first profile, standards are seen as an opportunity to change, and are generally set with a top-down approach to maximize public attention both by users and management; in this pattern, the Citizen's Charter is mainly a tool of new public management.
- (b) A *public law* profile is where quality standards tend to overlap and be confused with the legal rights of users. Thus it is not culturally accepted that standards can also be defined in a non-quantitative way, because a legal right ought to be clear and unambiguous. Using such a paradigm, owing to the dominant law culture, standards are likely to be sidestepped (for instance, through a bottom-up approach that eventually leads to total incomparability), because they are perceived more as a problem than as an opportunity for change. The Citizen's Charter is a further, but eventually ineffective, guarantee in the administrative system rather than a driving force to improve the quality of public services.

Of course the two profiles are only a simplification of real patterns, in which there are important differences with regard to the nature of the service (technically based such as electricity or professionally based such as healthcare).

The comparison between the two experiences depicted in this paper allows one to argue that a non-legalistic scheme should be preferred when quality is concerned, *because quality cannot be managed and improved by law*. Rather, participation of citizens' and consumers' associations with institutions charged with quality policy making, development of quality audit methodology at the delivery level, and a more diffuse quality management culture among the service providers has to be encouraged and spread more widely if effective results are to be obtained.

Even in Italy, where – not by chance – the quality of public services is still largely unsatisfactory for citizens (ISTAT 1996; EURISKO 1997) and the law culture is objectively dominant in the public sector, the most recent evolutions show some initial attempts to follow a more implementation- and evaluation-oriented framework for the change process with regard to quality policies. Legalistic measures like the *Carta dei servizi* have not yet really changed the situation, but have prepared the ground for a successful reform, as a result of some rather hidden and innovative experiences of implementation and evaluation.

ACKNOWLEDGEMENTS

The author wishes to thank Christopher Pollitt, Nicoletta Stame and Bruno Dente for the valuable comments they made on the first draft of this paper.

A previous version of the paper was presented and discussed at the 3rd European Evaluation Society (EES) International Conference on Evaluation (Rome, 29–31 October 1998).

REFERENCES

- Autorità per i servizi pubblici locali del Comune di Roma. 1998 *Relazione sui servizi pubblici locali nella città di Roma*. Roma: Comune di Roma (giugno).
- Autorità per l'energia elettrica e il gas. 1998 'Relazione annuale sullo stato dei servizi e l'attività svolta', supplemento al *Bollettino dell'Autorità per l'energia elettrica e il gas*. Roma: Istituto Poligrafico e Zecca dello Stato (giugno).
- Blackburn, R. 1993. 'Citizenship today,' in R. Blackburn (ed.), *Rights of citizenship*. London: Mansell.
- Bouckaert, G. 1995. 'Measuring quality', in C. Pollitt, G. Bouckaert (eds.), *Quality improvement in European public services. Concepts, cases and commentary*. London: Sage.
- Bowerman, M. 1995. Auditing performance indicators: the role of the Audit Commission in the Citizen's Charter initiative, *Financial Accountability & Management* 11, 2 (May).
- Cabinet Office. 1991 *The Citizen's Charter Raising the standards*. London: HMSO (July).
- 1992. *The Citizen's Charter. First report*. London: HMSO.
- 1994. *The Citizen's Charter. Second report*. London: HMSO.
- 1996. *The Citizen's Charter Five years on. A report to mark five years of the Charter programme*. London: HMSO. (Sept.)
- 1997. *The Citizen's Charter A consultation exercise*. Internet Website: www.open.gov.uk
- 1998a. *The Citizen's Charter A consultation exercise: the government's response*. London: HMSO.
- 1998b. *Service first The new Charter programme*. London: HMSO.
- Cassese, S. 1993 'Introduzione', in Dipartimento della funzione pubblica. *La Carta dei servizi pubblici. Proposte e materiali di studio*. Roma: Istituto Poligrafico e Zecca dello Stato.
- 1994 'Aggiornamenti sulla riforma amministrativa negli Stati Uniti, nel Regno Unito e in Francia', *Il Corriere Giuridico* 8 (agosto), 1029–39.
- Cohen, M., J. March and J. Olsen. 1972 'A garbage can model of organizational choice', *Administrative Science Quarterly* 17, 1–25.
- Connolly, M., P. McKeown and G. Milligan-Byrne. 1994. 'Making the public sector more user friendly? A critical examination of the Citizen's Charter', *Parliamentary Affairs* 47, 1 (Jan.)
- Curwen, P. 1996. 'The Citizen's Charter and British Rail,' in J. A. Chandler (ed.), *The Citizen's Charter*. Aldershot: Dartmouth.
- Czarniawska, B. and B. Joerges. 1995. Venti di cambiamento organizzativo: come le idee si traducono in oggetti e azioni, in S. Bacharach, P. Gagliardi and B. Mundell, *Il pensiero organizzativo europeo*. Milano: Guerini e associati.
- Dente, B. 1995. *In un diverso Stato*. Bologna: Il Mulino.
- 1997. 'Perché è così difficile riformare la pubblica amministrazione italiana?', *Funzione pubblica* 3.
- Dente, B. et al. 1995 *Riformare la pubblica amministrazione*. Torino: Edizioni Fondazione Agnelli.
- Department of Health. 1995 *The Patient's Charter A Charter for England*. London: Department of Health. (Jan.)
- Diamanti, I. 1998. 'Gli Italiani e lo Stato. Un difficile slalom tra disincanto e impegno sociale,' *Sole 24 Ore* 8 (luglio).
- Dipartimento della funzione pubblica. 1993 *La Carta dei Servizi. Proposte e materiali di studio*. Roma: Istituto Poligrafico e Zecca dello Stato.
- 1995. *Cento progetti al servizio dei cittadini*. 1st edn. Roma: Istituto Poligrafico e Zecca dello Stato.
- 1997. *Cento progetti al servizio dei cittadini*. 2nd edn. Roma: Istituto Poligrafico e Zecca dello Stato.
- Donolo, C. 1997. *L'intelligenza delle istituzioni*. Milano: Feltrinelli.

- Easton, S. 1996. The meaning of citizenship. in C. Willett (ed.), *Public sector reforms and the Citizen's Charter*. London: Blackstone Press Ltd.
- Elcock, H. 1996. 'What price citizenship? Public management and the Citizen's Charter', in J. A. Chandler (ed.), *The Citizen's Charter*. Aldershot: Dartmouth.
- EURISKO. 1997. 'I servizi sanitari: il giudizio del cittadino', *Social Trends* 75 (Feb).
- Fedele, M. 1998. *Come cambiano le amministrazioni pubbliche*. Bari: Editori Laterza.
- Flynn, N. 1993. *Public sector management*. 2nd edn. Brighton: Harvester Wheatsheaf.
- 1997. *Public sector management*. 3rd edn. New York: Prentice Hall.
- Gaster, L. 1995. *Quality in public services: Managers' choices*. Buckingham: Open University Press.
- Gherardi, S. 1998. 'Tradurre è tradire, ovvero la traslazione del controllo di gestione in ambito pubblico', *Il nuovo governo locale*, XVI, 2.
- Goldsworthy, D. 1994. 'The Citizen's Charter', *Public Policy Administration* 19, 59–65.
- Hirschman, A. 1971. *A bias for hope*. New Haven: Yale University Press.
- Holmes, M. and D. Shand. 1995. 'Management reform: some practitioner perspectives on the past ten years', *Governance* 8, 4 (Oct).
- ISTAT. 1996. *La vita quotidiana nel 1995. Indagine multiscopo sulle famiglie*. Roma: ISTAT.
- Kavanagh, D. and A. Seldon (eds.) 1994. *The Major effect*. Basingstoke: Macmillan.
- Kuutiniemi, K. and P. Virtanen. 1998. *Citizen's Charters and compensation mechanisms*. Helsinki: Finland Ministry of Finance, Public Management Department.
- Liberatori, M. 1996. 'Il ministero della sanità diventa consulente: lo sportello per la Carta dei servizi', *Pubblico bene* 5 (gennaio-marzo).
- Lo Schiavo, L. 1997a. 'La Carta dei servizi nel cestino dei rifiuti?', *Rivista trimestrale di scienza dell'amministrazione* 2.
- 1997b. 'Standard di qualità e Carta dei servizi', *Prospettive sociali e sanitarie* 1 (gennaio).
- 1998. 'La Carta dei servizi ha funzionato in Italia? Analisi di una politica pubblica abbandonata', *Consumatori, diritti e mercato* 3.
- 1999. 'Valutazione e qualità dei servizi pubblici. Esperienze di valutazione degli standard e delle politiche per la qualità dei servizi pubblici in Italia e Gran Bretagna', in N. Pasmu (a cura di) *Le Carte dei servizi. Per migliorare la qualità dei servizi pubblici*. Milano: F. Angeli.
- Malaman, R. 1998. 'L'attività dell'Autorità per l'energia elettrica e il gas', *Consumatori, diritti e mercato* 3.
- March, J. and J. Olsen. 1976. *Ambiguity and choice*. Bergen: Universitetsforlaget.
- Mellana, C. 1997. *Le Carte dei servizi sanitari pubblici in Piemonte*. Torino: Federconsumatori Piemonte.
- Ministero della sanità. 1996. 'Come definire e utilizzare gli standard di qualità', *I laboratori della Carta dei servizi* 1. Roma: Dipartimento della programmazione (ottobre).
- 1997. *Rapporto nazionale di valutazione sul programma di attuazione della Carta dei servizi nel Servizio sanitario nazionale*. Roma: Dipartimento della programmazione (marzo).
- 1999. *La qualità dei servizi al cittadino nel servizio sanitario nazionale: valutazione dello stato di attuazione della Carta dei servizi e dei risultati delle esperienze di miglioramento della qualità*. Roma: Dipartimento della programmazione (giugno).
- Moro, G. 1998. *Manuale di cittadinanza attiva*. Roma: Carocci editore.
- OECD. 1996. *Responsive government. Service quality initiatives*. Paris: OECD.
- Offer, 1995. *Standard of performance. Best practice guide*. Birmingham: Office of Electricity Regulation.
- 1998. *Report on customer services 1997/98*. Birmingham: Office of Electricity Regulation.
- Pasmu, N. (a cura di). 1999. *Le Carte dei servizi. Per migliorare la qualità dei servizi pubblici*. Milano: F. Angeli.
- Pollitt, C. 1994. 'The Citizen's Charter: a preliminary analysis', *Public Money & Management* 14, 2 (April-June).
- Prosperetti, L., M. Morini (a cura di). 1998. 'Le Carte dei servizi nella provincia di Milano: bilancio, problemi, prospettive', *Osservatorio sulla qualità dei servizi pubblici*. Milano: Edizioni della Camera di commercio, industria artigianato e agricoltura di Milano (giugno).
- Rawlings, P. and C. Willett. 1996. 'Consumer empowerment and the Citizen's Charter', in C. Willett (ed.), *Public sector reforms and the Citizen's Charter*. London: Blackstone Press Ltd.
- Ruffini, R. 1999. *La Carta dei servizi. Valutazione e miglioramento della qualità nella pubblica amministrazione*. Milano: Guerini e associati.
- Sciolla, L. 1997. *Italiani. Stereotipi di casa nostra*. Bologna: Il Mulino.
- Stame, N. 1998. 'Evaluation in Italy. Experience and prospects', *Evaluation* 4, 1 (Jan.).

- Tasca, R. and M. Vannozzi. 1997 'L'esperienza di attuazione della Carta dei servizi nel Servizio Sanitario Nazionale,' in *Atti del XIX Convegno nazionale AICQ* Milano: AICO
- The Citizen's Charter Complaints Task Force 1995 *Good practice guide*. London: HMSO (June)
- Tritter, J. 1994 'The Citizen's Charter: opportunities for user's perspectives?,' *Political Quarterly* 65, 4.
- Vesperini, G. 1998 'L'attuazione della Carta dei servizi pubblici in Italia,' *Rivista trimestrale di diritto pubblico* 1.
- Vesperini, G. and S. Battini 1997. *La carta dei servizi pubblici: Erogazione delle prestazioni e diritti degli utenti*. Rimini: Maggioli Editore.
- Warglien, M. and M. Masuch (eds.) 1995. *The logic of organizational disorder*. Berlin. Walter de Gruyter
- Williamson, C. 1992. *Whose standards? Consumer and professional standards in health care*. Buckingham: Open University Press
- Wilson, J. 1995 'Charters and public service performance,' in J. Wilson (ed.), *Managing public services. dealing with dogma*. Eastham, Wirral: Tudor

Date received 3 August 1999. Date accepted 24 January 2000.

PUBLIC MANAGEMENT

FROM GREAT EXPECTATIONS TO HARD TIMES? MANAGING EQUAL OPPORTUNITIES UNDER NEW PUBLIC MANAGEMENT

ROSIE CUNNINGHAM

INTRODUCTION

This paper argues that there are significant tensions and contradictions between the values inherent in the New Public Management (NPM) and those that have traditionally underpinned equal opportunities policy and practice in public sector organizations. NPM generally refers to the radical organizational and managerial reforms introduced into the public sector from the early 1980s onwards, including measures such as the tighter control of expenditure, decentralization, a strengthening of line management, the use of market-like mechanisms and an emphasis on improving quality (Farnham and Horton 1993). The article draws on empirical findings from qualitative research carried out in a large civil service agency and two NHS trusts between 1995 and 1998, and begins by outlining some of the key developments in equal opportunities policy and practice in public organizations. The tensions between NPM and equal opportunities are discussed in relation to three inter-related themes. First, the different ideological strands underpinning NPM reforms have created a number of difficulties for managing equal opportunities effectively, as contradictory values come into conflict with those that have traditionally underpinned equality management. Second, new power relationships emerging from the process of organizational reform have impacted on the way equal opportunities policy and practice is perceived by managers at all levels of the public sphere. Third, in practical terms, the organizational terrain itself has changed, cre-

Rosie Cunningham is Senior Lecturer in the Division of Government and Politics at the University of Northumbria, Newcastle-upon-Tyne.

Public Administration Vol. 78 No. 3, 2000 (699-714)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

ating new challenges for managing the implementation of equal opportunities policy. Finally, brief consideration will be given to the implications of NPM for the future development of equality management in the public sector.

MANAGING EQUAL OPPORTUNITIES IN PUBLIC SECTOR ORGANIZATIONS

The management of equal opportunities encompasses a number of activities, although the scope of these varies according to the meanings attached to equality in individual organizations in both the public and private sectors. Indeed, there is no one definitive approach to the way equality issues are managed, although we have been provided over the years with a series of models, such as the liberal or radical model, to help us describe or prescribe actual practice (Jewson and Mason 1986; Jewson *et al.* 1995, p. 63). In terms of scope, however, some organizations favour a 'minimalist' approach in which principles of fairness and anti-discrimination – and thus equality of 'opportunity' – help to shape personnel procedures such as recruitment, selection and promotion (Blakemore and Drake 1996, p. 52). Here, the emphasis is on ensuring fairness in the way organizations manage their personnel systems. Other organizations have a 'maximalist' approach in which equality or inequality is judged more by the representation of different groups at each level of the organization as opposed to simply observing the fairness of procedures (Blakemore and Drake 1996, p. 56). Managing equality via a 'maximalist' or 'outcome' approach often involves a number of positive action initiatives, such as training opportunities designed specifically for women or ethnic minority staff, and requires effective mechanisms for monitoring progress.

Within this context, many public sector bodies have laid claim to taking a lead in managing equality by adopting policies that have moved closer to a 'maximalist' approach, in principle at least. In terms of early policy development, local authorities were among the first organizations in the public sector to introduce wide-ranging equal opportunities policies in the early 1980s, instituting a commitment not to discriminate in relation to gender, race, class, age, disability or sexual orientation (Coyle 1989). Since the mid-1980s, the civil service has promoted equal opportunities for its employees through a number of programmes for action (Cabinet Office 1984, 1990, 1994b, 1994c, 1996, 1998a) and other policy documents (Cabinet Office 1994a and 1998b). Similarly, the NHS recognized the significance of being a good employer for its predominantly female workforce in 1991, when it became the first government organization to sign up to Opportunity 2000, a Business in the Community initiative which aims to increase opportunities for women in both public and private organizations. This focus widened in 1996 when the NHS Women's Unit was replaced by a generic Equalities Unit, thus extending equal opportunities policies to encompass ethnic minorities and employees with disabilities. Over the

years, many local authorities, civil service departments and agencies and NHS trusts have introduced initiatives geared towards improving 'outcome', such as awareness training, the establishment of advisory bodies, and training or mentoring schemes for under-represented groups.

Despite such encouraging developments, problems still remain. Although a number of local authorities have a solid track record in promoting equal opportunities, approximately one-third have yet to develop policies on racial equality, and half do not carry out any monitoring of employment practices (*Equal Opportunities Review* 1998b, p. 11). In the civil service, ethnic minority staff only make up 1.6 per cent of senior grades in the civil service, and, although women do rather better at 18 per cent (Cabinet Office 1998a), there is still a strong perception among civil servants that the service does not take equal opportunities seriously enough (Bichard 1999). In the NHS patterns of racial discrimination and harassment in particular continue to persist. In 1995 a Policy Studies Institute report looking specifically at the experiences of nursing and midwifery staff of ethnic minority origin, identified a yawning gap between formal equal opportunities policies and the actual practice of managers. As a result many ethnic minority nurses felt they were forced to continue accepting racial harassment (from staff and patients) as part and parcel of the job (Beishon *et al.* 1995). The management of these and other equality issues needs to be considered in the wider context of NPM reforms.

MANAGING EQUAL OPPORTUNITIES UNDER NEW PUBLIC MANAGEMENT

The introduction of NPM reforms represented a shift away from established notions of public administration in which organizational tasks were understood as the following of rules and regulations within a routinized regime (Farnham and Horton 1993; Flynn 1997). In contrast, the tasks associated with NPM are seen to demand the kind of innovative, dynamic, entrepreneurial and flexible skills more commonly associated with the private sector (Dunleavy and Hood 1994). Indeed, Yeatman (1994) claims that the scope of NPM reforms in public sector organizations represents nothing less than a paradigmatic shift in the way the management of such organizations is conceived and carried out. According to this argument, public organizations have moved from an organizational form based on an 'economistic rational' model of public administration to a 'post-bureaucratic' model of public management. In this sense, public sector organizations are now characterized by decentralization and fragmentation, devolved managerial autonomy and flatter organizational structures. The introduction of civil service agencies, NHS trusts and varying forms of decentralization and competition policy across the public sector have profoundly affected terms and conditions of employment. The introduction of local pay bargaining, downsizing, job evaluation and limited-term contracts, for example, have created an uncertain climate for public sector employees. In addition,

devolving managerial responsibility downwards has meant that personnel issues such as recruitment, selection, promotion and so forth now tend to fall more firmly within the remit of line management.

Within this shifting organizational context, the relationship between the NPM reforms and equal opportunities policy and practice have been largely overlooked, although some of the NPM literature contains a significant (albeit passing) reference to the possible implications of reform on issues of equality (Pollitt 1995, p. 150; Hood 1995, p. 173; Walsh 1995, p. 213). The deepening of inequalities in the process of specific aspects of organizational reform, however, in both public and private organizations have been well documented. Goss and Brown (1991), for example, expressed concern that equal opportunities in the NHS would be lost in the process of implementing the internal market in 1991. Jewson and Mason (1993, p. 17) note that the trend for devolving personnel functions to line management has made equal opportunities practice more difficult to manage. Escott and Whitfield's (1995) research in local authorities revealed that the implementation of Compulsory Competitive Tendering resulted in greater disadvantages for female than for male employees. Newman and Williams (1995) observe that part of the rationale underpinning the restructuring of public sector organizations has been the search for employment flexibility, which in turn has led to a deepening of gender and racial inequalities.

Although these studies highlight individual aspects of organizational reform, a systematic evaluation of the relationship between key characteristics of NPM and effective equality management has yet to be carried out. In this sense, there is very little consideration of the tensions which may emerge between new organizational values and reforms and the principles that have traditionally underpinned equality management. Yet the implications of organizational reform are likely to be significant for the continued development of good practice in public sector employment, an arena in which government claims to take a lead, particularly in the civil service and the NHS. A major goal for managers responsible for equality matters, for example, is that of 'mainstreaming' equal opportunities into all areas of policy development and implementation; in other words, working towards ensuring that issues of equality are considered as a matter of course in the day-to-day business of their organizations. Within Whitehall, for example, the Ministers for Women have been charged with ensuring that government departments take women's interests into consideration in all their functions, thus 'mainstreaming' women's issues in all areas of government policy making. Similarly, the Cabinet Office urges senior civil servants to 'mainstream' equal opportunities practice in the organizational policies of departments and agencies (Equal Opportunities Review 1998a, p. 7), although a commitment to this principle has not always led to substantive improvements. One way to explore the problems of managing equal opportunities policy and practice effectively is to look at the implications of the NPM reforms in relation to its conflicting values.

NPM VALUES AND EQUALITY MANAGEMENT – CONFLICT AND CONTRADICTION?

In the context of equality management, organizational and political values provide the backdrop against which good employment practice is established and developed. From an organizational perspective, Aucoin (1990) argues that there are two sets of essentially contradictory values inherent in the NPM reforms; a phenomenon that can be attributed to the emergence of two disparate streams of thought concerning the most effective ways of managing public organizations. On the one hand, public choice theorists presented a critique of the dysfunctional nature of bureaucracies and offered an explanation for the growth of public expenditure and the wasteful use of resources inside public sector organizations (Niskanen 1971; Dunleavy 1991). As a model, Niskanen's account in particular was influential in shaping the initiatives designed to cut waste in the civil service in the early 1980s following the Rayner Scrutinies, as well as forming the intellectual rationale of the Next Steps reforms (Dowding 1993, p. 31).

'New wave' generic management thinking from North America, on the other hand, offered a number of alternative insights to those given by public choice theorists. The scientific school, for example, placed emphasis on the importance of setting targets and measuring performance, as evidenced by the introduction of new financial and management systems from the early 1980s onwards, together with performance indicators and performance review. In contrast, 'culture' management offered a vision of success based on organizations that were people-centred and value-driven rather than led exclusively by performance. Osborne and Gaebler (1992), for example, in their influential text *Reinventing Government*, argued for an administration that was mission driven rather than rule driven, decentralized rather than hierarchical and entrepreneurial as opposed to risk averse. An important thread in the philosophy of 'culture' management was the recognition of the over-riding significance of organizational culture, generally defined as the beliefs and values embedded within organizational practice. 'Culture' management therefore, advocated the empowerment of managers and a loosening rather than a strengthening of control mechanisms, and has formed the basis of initiatives such as 'Change Management', 'Identifying Core Values' and 'Listening to Staff' introduced into parts of the civil service. Despite efforts to create a more entrepreneurial culture, however, performance remains the salient factor, particularly in relation to efficiency savings. Thus, the dual emphasis on the values of both entrepreneurship and performance presents a contradiction for managers which is often difficult to reconcile in day-to-day managerial practice. It is within this complex context of conflicting values that the tasks of equality management are also being played out.

From a political perspective, a shift to a new paradigm in the running of public sector organizations assumes that one set of commonly held

values has been replaced by a new consensus based on new values and ideas (Gray and Jenkins 1995, p. 77). Clarke *et al.* (1994), however, maintain that NPM values sit on an 'uncomfortably transparent normative terrain', not least because they have created a certain amount of conflict and confusion. Part of this turmoil springs from the displacement of the old values of public sector professionalism (often perceived as the embodiment of old-style public administration principles) in favour of the new managerialism. This process, however, is incomplete because a consensus concerning the appropriateness of NPM values has yet to be consolidated. In the meantime, therefore, this area still remains open to dispute and contestation, especially from professionals. The result is:

... complex patterns of intra-organizational conflict, co-option and compromise as management seeks both to bring professionals 'on board' (through the promise of a 'people centred' environment) and haul them 'into line' (through the threat of compulsory competitive tendering and neo-Taylorist strategies). As a consequence, public sector organizations have taken on the character of unstable alliances and oppositions – producing peculiar hybrids either as professionals become managers or as managers and professionals produce uneasily balanced missions, visions and objectives which try and reconcile and articulate 'business', 'professional', 'corporate' and 'bureaucratic' cultures (Clarke *et al.* 1994, p. 235).

At the same time, the political values underpinning New Right thinking in the 1980s created a hostile environment for equal opportunities policy and practice, and undoubtedly filtered down to shape notions of equality in public sector organizations. In local government, for example, developments in equal opportunities practice faced growing criticism as the decade progressed. Attempts by London authorities to respond to inequalities with a range of radical policies, were frustrated by both cuts in public expenditure and ridicule from central government. Ideologically, 'maximalist' approaches to equal opportunities were effectively undermined by a dual assault of New Right ideas; a neo-conservative attack on the erosion of traditional family structures and family values, and a neo-liberal advancement of the benefits of reducing the demands on government through the promotion of the free market. Gains made in equality in the public sphere, including the development of equality strategies in local authorities, and the recognition of non-hierarchical, non-sexist and non-racist relationships in welfare provision, were thus given little support for further development.

From a public choice perspective, tackling the inefficiencies of bureaucracy has been presented as a mechanism for facilitating the ascendancy of political values over administrative or organizational values, in order to '... re-establish the primacy of representative government over bureaucracy.' (Aucoin 1990, p. 235). Significantly, the managerialist position also lends

itself to this view by assuming that politics is external to the public manager's job, even though experience suggests that this separation is illusory (Alford 1993). In this context, Hood (1995, p. 173) notes that despite managerialism's claims to political neutrality, some goals are inevitably downgraded in this context, including the way equal opportunities in employment has been officially promoted in public sector organizations.

Since the late 1980s, successive governments have sponsored and promoted a 'business case' to equal opportunities. As Bagilhole (1997, p. 57) notes, this argument suggests that it is simply sound common sense to utilize all available talent in order to increase efficiency, project a better image and improve customer relations. This essentially managerialist approach, however, represents a shift away from notions of equality based on ethical grounds towards those based on economic or business needs (Ross and Schneider 1992). In relation to women, Forbes (1996) argues that Conservative governments effectively sanctioned a privatization of the responsibility for sex equality policy through the increased use of the 'business case' approach, illustrated most markedly by the introduction of Opportunity 2000. From this viewpoint the primacy of the needs of business rather than the needs and rights of women as a group meant that market values outweighed those of equality.

For equality managers, success in maintaining and developing equal opportunities policy and practice in an environment of changing and contested values is contingent to a large extent on how well it was developed and legitimized prior to organizational reform. The values underpinning the development of 'maximalist' approaches to equal opportunities in public sector organizations suggest that policy and practice has primarily been geared towards understanding and overcoming the patterns of inequality in employment. In this sense, an acknowledgement by equality managers of the new issues thrown up by the shift to a new organizational paradigm should not lose sight of those that remained unresolved in the old. Underlying some of the gains made in equal opportunities prior to the introduction of NPM, for example, was the uncomfortable recognition that welfare bureaucracies in particular were responsible for contributing to a reinforcement of social divisions along lines of gender and 'race', including the gendered division of labour and the institutionalization of sexism and racism (Pascall 1986; Williams 1989; Dominelli 1991). Patriarchal and racialized processes are thus historically embedded in patterns of public sector employment and public sector provision (Williams 1994). The challenge facing equality managers now lies in continuing to support the advancement of under-represented groups at all levels in the public sphere, whilst grappling with the new values and realities thrown up by the conflicting mix of NPM values.

The contradictory values inherent within the NPM reforms, however, have created a number of problems in maintaining and developing good practice in this area, particularly in terms of 'mainstreaming'. Policy which

relies on organizations providing a reasonably sized budget for positive action initiatives, such as training for under-represented groups, runs the risk of marginalization or even collapse in the next round of efficiency savings. Tapping into 'culture change' initiatives on the other hand, sounds attractive but runs the risk of developing policy that is little more than cosmetic when efficiency remains the primary organizational goal. In addition, decisions to introduce or continue with initiatives to improve the under-representation of minority groups is made more difficult when the political values which supported NPM also succeeded in reducing official definitions of equality to that of economic efficiency.

NEW SETS OF POWER RELATIONSHIPS

New sets of power relationships have been created at all levels of the public sector through the restructuring of management responsibility and service provision. Here, some of the impact of these relationships on equal opportunities policy and practice will be explored at senior and middle management level. It is argued that these new relationships have subtly altered the organizational 'space' within which equality managers operate. Even at the outset, for example, the ability of managers to flex their individual and collective muscle to ensure equal opportunities was included as part and parcel of the reform agenda lacked the necessary vigour. Pollitt (1993, p. 141), for example, observes that the reforms, both in Britain and the USA, put a low value on equal opportunities simply because no thought was given to it. Such a lack of consideration, however, suggests that it was never effectively woven into the fabric of public sector organizations in the first place, in the way the concept of 'mainstreaming' suggests it should, and, therefore, never regarded as a legitimate feature of organizational change. The absence or partial absence of equal opportunities from the structures and norms of general organizational practice may thus have contributed to its exclusion from the reform agenda.

In both the NHS and the civil service, there is a strong perception that equal opportunities policy and practice must now be promoted via the 'business case' because it is more likely that managers will be persuaded to take it on board. This conceptualization assumes that equal opportunities can be handled as just another managerial issue and not as the preserve of specialists with a specific background in and knowledge of the issues. At central level, both organizations have adopted a strategy which targets senior managers. The Development and Equal Opportunities Division in the Cabinet Office, for example, began by providing equal opportunities seminars and workshops for Permanent Secretaries and agency chiefs in the early 1990s. The former NHS Women's Unit tackled trust Chief Executives directly as part and parcel of a 'trickle down' approach through the managerial structure. This kind of top-down strategy appeared to be based on a determination to avoid the 'mistakes' made by equal opportunities activists in local government in the 1980s, with an implicit recognition that it

was business efficiency and not social justice that was likely to be acceptable in the new managerial climate. This perspective, however, seriously underestimated the shifts in power that had taken place at middle management level under NPM.

Decentralizing managerial responsibility and 'downsizing' across the public sector, enhanced the power of line management over several personnel procedures, including recruitment, appraisal and promotion, as well as patterns of working. Job sharing, term-time working, childcare provision and positive action initiatives such as women-only management training may now be perceived as jeopardizing more important priorities in the workplace such as meeting targets, making efficiency savings and maintaining a high level of performance. Organizations in which good practice appeared to be developing witnessed both senior and middle managers jettisoning or suspending initiatives apparently without compunction as the reforms began to take root (Cunningham *et al.* 1997). Greater managerial autonomy at the middle management level significantly dilutes policy pushed down from now remote central units. Where managerial attitudes towards equality policy are unsympathetic or hostile, there exists the temptation to sideline it altogether. Even where managers are receptive to equal opportunities, the sheer pace and scale of organizational change has enveloped them in almost unrelenting waves of new initiatives and structural changes. In order to cope, many managers have taken a blinkered approach and ignored anything that appeared to be irrelevant or marginal to the change process. In some instances, where equal opportunities had been considered, it was put 'on hold' until the pace of change slowed down. This appears to have been particularly apparent in the NHS, where the pace and scale of reform has been especially acute. As one Chief Executive of an acute trust in the Northern Region claimed:

I think we have become so utterly dominated by the contract agenda, the Charter targets, meeting income and expenditure targets, the acute services review ... I think we have gone through the motions on some of the other issues

and

Something has to give in the system, we just haven't got time and if push came to shove ... if its a case of holding a seminar on case mix and holding a seminar on EO, the technical demands of running your organization would take precedence (Interview 1996).

In the same organization, a senior personnel officer was more forthcoming, suggesting that a 'deferment' of equality policy had taken place until the dust of change had had time to settle.

I think because we are going through so much change – if you came back in a year it would be different but there are so many other priorities, people are running just to stand still ... Yes, there is a recognition that

we need to do more regarding equal opportunities. Yes, there is a recognition that we need to have a multi-disciplinary group with someone leading it – but it is something that just hasn't been addressed. It doesn't mean to say it won't be, but it hasn't yet (Interview 1996).

In organizations where efficiency savings and performance are paramount, managerial priorities will rarely include a high profile commitment to equality policy, even though new inequalities are emerging as a result of organizational change. Cortis and Rinomhota (1996, p. 361) note that, far from seizing the opportunity to address these issues, some health authorities and trusts regarded the introduction of the quasi-market into the NHS in 1991 as an opportunity to scale down their work in equal opportunities.

In practice, therefore, adopting the 'business case' to equal opportunities policies does not necessarily mean that middle managers will incorporate them into their business plans. Indeed, the 'freedom to manage' may be interpreted as a 'freedom to ignore' the equality agenda. (A comment made by Christine Hancock, General Secretary of the Royal College of Nursing in response to decentralization in the NHS.) Nevertheless, greater managerial autonomy provides at least the opportunity and the organizational space to formulate and implement equality initiatives, although the degree of commitment required to follow it through is likely to depend more on personal belief than a conviction that it is good for business. Moreover, managers finding their way into key posts in the newly reformed organizations are still over-represented by white males, and the style of management adopted by this cohort under NPM has been described as a return to 'macho' management (Maddock 1995) rather than a recognition of a management style that transcends difference. For equality managers, therefore, the barriers that have always existed at the middle management layer still represent a considerable challenge in the context of NPM.

NEGOTIATING EQUAL OPPORTUNITIES POLICY IN THE CHANGING ORGANIZATIONAL TERRAIN

Equality managers now have the task of trying to embed equal opportunities policy and practice into 'post-bureaucratic' organizational frameworks. We can argue, however, that equal opportunities policy and practice in many organizations has remained firmly wedded to a model which reflects the values and organizational style of the 'economistic rational' model of old-style public administration. This outcome is unsurprising given that many of the traditional values associated with public administration, such as probity, impartiality, equity and notions of need and justice have much in common with traditional concepts of equality of opportunity. Moreover, the operationalization of equality management through the instituting of procedures and formalized rules and regulations, is not only commensurate with bureaucratic organization, it also owes much to the nature of UK equal opportunities legislation itself, which has been described as

'passive' or 'negative' in the sense that it is still guided overwhelmingly by the principle of non-discrimination (Edwards and McKie 1994). As Collins (1992) notes, most practitioners have long perceived a procedural approach to equality management as the most significant way of avoiding discrimination and achieving change:

They allow policies actually to perform the functions they were designed to. They force verbal commitments and promises into written guidelines, which in turn alter the organizational structure for the better. In addition, they allow for progress to be assessed and followed more easily; which in turn helps to identify possible weaknesses (Collins 1992, p. 68)

One aspect of reform has meant that the break-up of bureaucratic forms of organization has created a situation in which the future of equality management is likely to develop in divergent ways. One positive result is that policy and practice may be more closely tailored to individual organizational needs rather than generic goals and objectives identified by central policy units. It also offers the potential at least for networking, innovation and the sharing of ways to initiate good practice in a changed organizational context. However, although a number of civil service agencies and hospital trusts have developed their own specific policies over the last six or seven years, evidence suggests that progress in some areas has been limited (Beishon *et al.* 1995; Mensah 1996; Tate 1996). 'Post-bureaucratic' organizational forms, moreover, do not lend themselves easily to the overall monitoring of progress across the public sector or for achieving a co-ordination of policy.

Recent conceptualizations of equal opportunities may be symptomatic of the tensions underpinning the values of NPM and those of equality management. The growth in the concept of 'managing diversity' as an alternative approach to equal opportunities in the public sector may have been grasped as a form of 'disguise' in an attempt to adapt to the new NPM environment. Significantly, although managing diversity is an American concept and arose partly in response to the changing demographic situation, it is promoted as a way of driving change forward through internal organizational forces as opposed to the external legislative framework. The focus is ostensibly on accepting that the workforce is made up of a diverse population of people and on the need to harness 'difference' to create a harmonious and productive environment (Kandola and Fullerton 1994, p. 19). For some, the concept has been welcomed as a means of changing the language of equal opportunities to create a new market niche (McDougall 1996, p. 64). As some of the tenets of managing diversity echo the rationale of the 'business case' approach, it is often perceived as an acceptable solution to incorporating equality in the new organizational terrain. In the civil service, for example, the recent reorganization of the Cabinet Office has meant that the work carried out by the Development and Equal Opportunities Division has now been incorporated into the Perform-

ance Management directorate of the new Corporate Management Command. Within this directorate, responsibility for equal opportunities rests with the Corporate Strategy and Diversity Division. Here, the language of equal opportunities is being replaced by that of 'diversity' and focuses on the importance of top managers taking a leadership role in valuing and developing 'diversity' and in bringing in and bringing on under-represented talent. This strategy will help in relation to the *Modernising Government* White Paper, which proposes to increase the representation of women, ethnic minorities and people with disabilities. Targets have been set, for example, to increase the number of women in the Senior Civil Service from 17.8 per cent to 35 per cent by 2004/5 (Cabinet Office 1999c). As a concept, however, diversity glosses over the work carried out under the heading of equal opportunities in relation to attitudinal and organizational barriers, which continue to reinforce and reproduce the persistent under-representation of minority groups.

FUTURE DEVELOPMENT IN EQUALITY MANAGEMENT WITHIN THE CONTEXT OF NPM

In summary, what does a 'post-bureaucratic' organizational model with its mix of conflicting values mean for the future of equality management? The impact of NPM reforms can be likened to a two-edged sword; the scope of practice may be cut back through lack of support and funding or managers can seek to fashion out new and innovative ways of driving initiatives forward within the new organizational terrain. Even where public sector organizations exhibit a public commitment to equality policy at senior management level, middle managers still control the budget for staff training and development and may decide that other priorities are more pressing. This is not to say that equality policy is being squeezed out all together. Organizations appear to be more aware than ever of the risk of legal action because of the potential drain on scarce resources, resulting in careful attention being given to personnel procedures, including the handling of complaints. This procedural approach, however, does nothing to ameliorate the impact of deep-seated attitudes and organizational cultures which may be hostile to the messages that equality policy has to convey. At the same time, where managers are personally committed to developing EO, there is now the 'organizational space' and the managerial autonomy to do so. Managers charged with the power to facilitate and manage change and with greater control over budgets and staffing issues have the potential to integrate equal opportunities into all areas of their responsibility – 'mainstreaming' at local levels in a way that the 'top down' approach from central policy units may have failed to achieve in the past. 'Culture' management, with its emphasis on people, quality, creativity and empowerment at least provides the legitimacy discourse to allow them to pursue a pro-active equal opportunities agenda. In terms of strategy, some managers appear to have chosen a form of 'disguise' as exemplified by the increasing adoption of a

'managing diversity' approach. Others have chosen 'deferment' until such time as the dust of organizational reform has had a chance to settle. In some cases, practice appears to have suffered from a kind of 'dislocation', as policy and practice continues to pursue a predominantly bureaucratic mode of operation at odds with the rest of the organization.

In recent months, equality issues have been pushed up the agenda through a plethora of initiatives introduced under New Labour. All are based on 'business case' arguments. For women, the most high-profile of these initiatives includes the appointment of Ministers for Women (currently Baroness Jay and Tessa Jowell), the establishment of a Women's Unit – now transferred from the Department of Social Security to the Cabinet Office – and the strengthening of a cabinet sub-committee on women's issues. In the civil service, the First Division Association has launched a charter designed to promote racial equality in the Senior Civil Service (Cabinet Office 1999a). The government has also announced its intention to accept the Better Regulation Task Force's call for greater joint working between the equality Commissions and between government departments in order to ensure efficient and effective implementation of anti-discrimination policies (Cabinet Office 1999b). Indeed, civil service leaders have already signed up to the Commission for Racial Equality's 1997 Leadership Challenge which encourages those in a position of influence to take a personal lead in promoting practical action towards achieving racial equality. Promises such as these are now incorporated into the modernizing government programme, in which the civil service is expected to act on the under representation of women, ethnic minorities and people with disabilities (White Paper 1999).

Within the NHS, the introduction of the Equality Awards in March 1998, include those given for promoting equal opportunities in patient care as well as in employment practice (Al-Khalifa 1998). This shift towards incorporating equal opportunities into service delivery has been a feature in local authorities and NHS trusts for some time, and increased emphasis from the Labour government on public consultation and participation in policies concerning service delivery is likely to push the issue even further up the agenda (DETR 1998; NHS Management Executive 1998; White Paper 1998). In addition, the publication of the McPherson Report in the aftermath of the Stephen Lawrence Inquiry has triggered real concerns about the way police authorities in particular handle issues of racial equality in relation to both the public and their own employees.

CONCLUSION

In essence, the future for managing equal opportunities effectively within public sector organizations depends on whose values are likely to prevail and the way equality managers negotiate their claims in the interstices of conflicting values and managerial cross-pressures. To date, the virtual invisibility of the equality management agenda in the establishment of

NPM reforms has delayed recognition of the tensions that exist between them. Alford (1993, p. 136) argues persuasively, for example, that whilst NPM reforms tend to reflect the efforts of policy makers trying to grapple with specific realities, those who are actually crafting it have yet to properly theorize it in order to ensure a better 'fit' between the managerial prescription and the task in hand. In relation to equality management, the 'business case' or managing diversity response may be seen as ways of grappling with reality but this does not necessarily mean that they are the most effective ways of implementing equality policy in the new post-bureaucratic paradigm. They ignore, for example, the deeply ingrained inequalities reproduced and reinforced in the old-style bureaucratic organizations and the enduring legacies that such inequalities continue to bequeath to equality managers. The 'business case' in particular assumes that the perspective adopted at the level of central government under the Conservatives is relatively unproblematic, even though it may only reflect a rather narrow, managerial perspective. Both approaches overlook the extent to which middle managers feel besieged by the changes brought about by NPM and who may resist or ignore the message that equal opportunities is part of good business practice. Finally, both fail to acknowledge adequately the conflicts and contradictions thrown into the path of equality managers by the emergence of the tensions discussed in this article – the ambiguity of NPM values, the emergence of new power relationships and a new organizational terrain.

REFERENCES

- Alford, J. 1993. 'Towards a New Public Management model: beyond 'managerialism' and its critics', *Australian Journal of Public Administration*, 52, 2, 135–48.
- Al-Khalifa, E. 1998. 'Prizing equality', *Nursing Standard* 12, 31, 18
- Aucoin, P. 1990. 'Administrative reform in public management: paradigms, paradoxes and principles', *Governance* 3, 2, 115–37
- Bagilhole, B. 1997. *Equal opportunities and social policy* London: Longman.
- Beashon, S., S. Virdee and A. Hagell. 1995. *Nursing in a multi-ethnic NHS*. London: Policy Studies Institute.
- Richard, M. 1999. 'Search for black Sir Humphreys', *The Guardian*, 14 July, pp. 6–7.
- Blakemore, K. and R. Drake. 1996. *Understanding equal opportunity policies*. Hemel Hempstead: Prentice Hall.
- Cabinet Office. 1984. *Programme of action to achieve equality of opportunity for women in the civil service*. London: HMSO.
- . 1990. *Programme for action to achieve equality of opportunity in the civil service for people of ethnic minority origin*. London: HMSO.
- . 1994a. *Good practice for equal opportunities staff complaints procedure: advice for departments and agencies*. London: HMSO.
- . 1994b. *Equal opportunities for women in the civil service: Ten years progress report 1984–1994*. London: HMSO.
- . 1994c. *Programme of action to achieve equality of opportunity in the civil service for disabled people*. London: HMSO.
- . 1996. *Focus on ability: a practical guide to good practice in the employment of disabled people*. London: Development and Equal Opportunities Division.
- . 1998a. *A study of double disadvantage. Ethnic minority women in the civil service*. London: Cabinet Office (OPS).

- . 1998b. *Equal opportunities in the civil service Data summary*. London: Development and Equal Opportunities Division.
- . 1999a. *Civil service signs up to a new ethnic minority charter*. London: Cabinet Press Office, 4 Feb. (CAB 30/99).
- . 1999b. *Government accepts task force call for more joint working to tackle discrimination*. London: Cabinet Press Office, 14 July (CAB 152/99).
- . 1999c. *More women in top jobs*. London: Cabinet Press Office, 30 March (CAB 70/99).
- Civil Service 1995. *Taking forward continuity and change*. Cm. 2748. London: HMSO.
- Clarke, J., A. Cochrane and E. McLaughlin (eds.). 1994. *Managing social policy*. London: Sage.
- Collins, H. 1992. *The equal opportunities handbook A guide to law and best practice in Europe*. Oxford: Blackwell.
- Cortis, J.D. and A. Rinomhota 1996. 'The future of ethnic minority nurses in the NHS', *Journal of Nursing Management* 4, 359–66.
- Coyle, A. 1989. 'The limits of change: local government and equal opportunities for women', *Public Administration* 67 (spring), 39–50.
- Cunningham, R., A. Lord and L. Delaney. 1997. 'Equal opportunities policy-making in the civil service since "Next Steps": policy and practice in a large government agency', *Public Policy and Administration* 12, 1, 53–68.
- DETR. 1998. *Enhancing public participation in local government: a research report*. London: Department of the Environment, Transport and the Regions.
- Dominelli, L. 1991. *Women across continents*. Hemel Hempstead: Harvester Wheatsheaf.
- Dowding, K. 1993. 'Running the civil service', in *Running the Country*, Unit 22, D212, Milton Keynes Open University.
- Dunleavy, P. 1991. *Democracy, bureaucracy and public choice*. London: Harvester Wheatsheaf.
- Dunleavy, P. and C. Hood 1994. 'From old public administration to New Public Management', *Public Money and Management* (July/Sept.), 9–16.
- Edwards, J. and L. McKie. 1994. 'The European Economic Community – a vehicle for promoting equal opportunities in Britain?' *Critical Social Policy* 39, 51–65.
- Equal Opportunities Commission. 1991. *Equality management women's employment in the National Health Service*. Manchester: Equal Opportunities Commission.
- Equal Opportunities Review. 1998a. 'Mainstreaming EO in the civil service' (May/June), p. 7.
- . 1998b. 'Local authorities are under-performing on race equality' (July/Aug.), p. 11.
- Escott, K. and D. Whitfield 1995. *The gender impact of CCT in local government*. Research Discussion Series No. 12. Manchester: Equal Opportunities Commission.
- Farnham, D. and S. Horton (ed.). 1993. *Managing the new public services*. Basingstoke: Macmillan.
- Flynn, N. 1997. *Public sector management*. 3rd edn. London: Prentice Hall.
- Forbes, I. 1996. 'The privatization of sex equality policy', *Parliamentary Affairs* 49, 1, pp. 144–60.
- Gray, A. and B. Jenkins. 1995. 'From public administration to public management: reassessing a revolution?', *Public Administration* 73, 1, 75–99.
- Goss, S. and H. Brown 1991. *Equal opportunities for women in the NHS*. London: Office for Public Management.
- Hood, C. 1995. 'Emerging issues in public administration', *Public Administration* 73 (spring), 165–83.
- Jewson, N. and D. Mason 1986. 'The theory and practice of equal opportunities policies: liberal and radical approaches', *Sociological Review* 34, 2.
- . 1993. *Equal opportunities in the 1990s: a policy principle come of age?* Discussion Papers in Sociology, No. S93/1, Department of Sociology, University of Leicester.
- Jewson, N., D. Mason, A. Drewett and W. Rossiter. 1995. *Formal equal opportunities policies and employment best practice*. London: Department for Education and Employment.
- Kandola, R. and F. Fullerton. 1994. *Managing the mosaic. Diversity in action*. London: Institute of Personnel and Development.
- McDougall, M. 1996. 'Equal opportunities versus managing diversity. Another challenge for public sector management?', *International Journal of Public Sector Management* 9, 5/6, 62–72.
- Maddock, S. 1995. 'Is macho management back?', *Health Service Journal*, (23 Feb.), 26–28.
- Mensah, J. 1996. 'Everybody's problem', *Nursing Times* 92, 22, 29 May, 26–27.

- Newman, J. and F. Williams 1995 'Diversity and change: gender, welfare and organizational relations', in C. Itzin and J. Newman (eds.), *Gender, culture and organizational change*. London: Routledge.
- Niskanen, W. 1971 *Bureaucracy and representative government*. Chicago and New York: Aldine Atherton.
- NHS Management Executive. 1992 *Ethnic minority staff in the NHS a programme for action*. Leeds: NHSME Equal Opportunities Unit
- . 1998. *In the public interest: Developing a strategy for public participation in the NHS*. NHSME
- Osborne, R. and T. Gaebler. 1992. *Reinventing government*. Wokingham: Addison Wesley
- Pascall, G. 1986. *Social policy: a feminist perspective*. London: Tavistock Publications.
- Pollitt, C. 1993. *Managerialism and the public services*. 2nd edn. Oxford: Blackwell
- . 1995. 'Justification by works or by faith? Evaluating the New Public Management', *Evaluation* 1, 2, 133–54.
- Proctor, J. and C. Jackson. 1992. *Women managers in the NHS: A celebration of success*. NHSME/Department of Health
- Ross, R. and R. Schneider. 1992. *From equality to diversity*. London: Pitman.
- Tate, C.W. 1996 'Race into action', *Nursing Times* 92, 22, (29 May), 28–30.
- Walsh, K. 1995. *Public services and market mechanisms*. Basingstoke: Macmillan
- White Paper. 1998. *Modern local government in touch with the people*. London: HMSO.
- . 1999. *Modernising government*. London: HMSO.
- Williams, F. 1989. *Social policy. A critical introduction*. Cambridge: Polity Press.
- . 1994. 'Social relations, welfare and the post-Fordism debate', in R. Burrows and B. Loader (eds.), *Towards a post-Fordist welfare state?* London: Routledge.
- Yeatman, A. 1994. 'The reform of public management: an overview', *Australian Journal of Public Administration* 53, 3, 287–95.

Date received 13 January 1999. Date accepted 20 April 1999.

REVIEWS

THE NATURE OF BRITISH LOCAL GOVERNMENT

John Stewart

Macmillan, 2000. 310pp. £45 (hb), £14.99 (pb)

Any book by John Stewart is likely to be rich in the insights that the author has taken from and fed back to local government over many years. This book draws upon John's extensive programme of visits to authorities between 1983 and 1998.

In opening the book John offers the thought that it is easier to write about uniformity than diversity. But as the purpose and justification for local government is diversity and difference, the book seeks to draw out the richness of different experience and circumstance which characterizes different councils, their members and staff.

There is a danger that a description of diversity will be a series of anecdotes – it is much easier to weave a theory around uniformity than to link the diverse experience of local authorities into a coherent thesis. A series of anecdotes from John Stewart is no bad thing – his lectures and talks have always contained the illuminating evidence of individual experience to illustrate a point – but can this book succeed in developing a theory of diversity, perhaps even provide a genuine antidote to the pressure for uniformity which has underpinned national political action (and probably thought) about local government's role over the past few decades?

This is a fascinating book to dip into and enjoy John's stories about how politics and culture in local authorities combined with personalities of members and officers to produce diverse outcomes. Sometimes you want to know more – 'there must be more to it than that!' Or in the cases where the reader does know more, a desire to see the full detail of the real experience fully explored. There was more to Hertfordshire's experience in the early 1990s with town and parish councils than 'parish friends'. And more careful proof reading would have corrected some unfortunate misspelling of the names of some important local government figures. But it is churlish to complain. In 300 pages this book has a breadth and depth of what constitutes local governance which should help members and officers in local authorities everywhere recognize and rejoice in the opportunity to be different – and end up working to the government's agenda. The tensions of uniformity and diversity meet at the association and can only be successfully managed by being aware of the dangers and constantly reminded that the role is to promote the merits of difference and diversity and to promote notions of added value – in service, responsiveness, democracy – from local discretion. John comments that the present

And, of particular interest to the reviewer, John has some cautionary messages for the Local Government Association – a national association for local government is almost a contradiction in terms'. The dangers, he says, are that the senior players come to accept the assumptions of the Whitehall village and lose contact with the reality of local government, and that the grind of consultation causes the association to be reactive – and end up working to the government's agenda. The tensions of uniformity and diversity meet at the association and can only be successfully managed by being aware of the dangers and constantly reminded that the role is to promote the merits of difference and diversity and to promote notions of added value – in service, responsiveness, democracy – from local discretion. John comments that the present

government's policy for local government contains themes of uniformity and diversity and only the future will tell which is likely to be the more pervasive. If the association is to tilt the balance in the direction of diversity it will need to develop strategies to influence the agenda of discussion with government and to pay attention to the learning from the diversity of local authorities. Critics will no doubt judge in future whether the LGA's ideas for New Commitment to Regeneration, Local Challenge and local Public Service Agreements will come to represent a sufficient response to the former. John's book will certainly provide a useful quarry for the latter.

Brian Briscoe

Local Government Association

POLÍTICAS PÚBLICAS EN ESPAÑA

Ricard Gomà and Joan Subirats (eds.)

Ariel, 1998. 442pp. 3.800 ptas (Euro 23)

Spanish literature concerning politics, politicians, and public administration is not scarce. However, books on specific policy issues written from an academic standpoint are a rarity. Yet, the merit of the book edited by Joan Subirats and Ricard Gomà not only fills such a large gap, but also exhibits scientific rigour and careful analytical skills.

The last twenty-five years have radically transformed the Spanish political scene. The establishment of democratic institutions, the legal protection of human rights, and the decentralization of the administrative structures have profoundly re-organized political life. Thus re-organization at macro-level has also been reflected in dizzyingly fast developments in nearly all sectors of policy making. Some of them did not even exist before the transition to democracy, e.g. environmental policy or gender equality policy, and others, like fiscal policy or social policy, which have been extensively re-modelled. But, as the authors correctly state in their introduction, we still do not know enough about the informal processes of decision making, the nature and interaction of actors involved nor the epistemic and cognitive frameworks within which they operate. Choosing 14 different policy areas, the ambitious goal of this edited volume has been specifically to give some answers to these rather open and unexplored questions.

The first two introductory chapters provide a succinct, yet interesting, analytical basis for the rest of the book. The first chapter is an overview of the transformations in Spanish politics and policies since the end of the 1970s. The authors point out that the major socio-political cleavages in Spanish politics are ideological and territorial ones. Furthermore, four phases are identified in the time span between 1977 and 1996, coinciding with the different terms of the governments in power. However, the meagre seven pages of this chapter provide a limited perspective especially in historical terms. A short study about the legacies of the Francoist period could have been interesting at this point, showing clearly the paramount challenges facing political actors at the beginning of the democratic regime. The second introductory chapter is, however, more generous in its formulation, as it develops the analytical framework to be used in the case studies. In this sense, it is a well-structured review of the latest analytical approaches in policy analysis, bringing to the Spanish field the concepts and meso-theoretical debates of international scholarship. The emphasis that the editors place on the cognitive dimension and the role of ideas in policy making, balancing the conventional perspective normally centred on the role of single actors' interests is remarkable. In my view, this is of foremost importance in Spain, where the difficulty of creating and consolidating wide, but still common, cognitive frameworks in most policy areas partly explains the paradox of the highly visible conflicts in Spanish politics, but the relative silence and stealth of policy making.

The different policy areas examined in the book have been divided into three large groups: 'governing the economy', which includes chapters on industrial policy, fiscal policy and labour market; 'welfare state' with chapters on education, pensions, unemployment benefits and housing; and 'new policy areas' like environment, telecommunications, language, immigration and gender policy. The first and the second groups, being functionally homogeneous, have an introductory chapter. These are the ones written by Boix and by Rodríguez Cabrero, respectively, and concern governing the economy and welfare politics, and show outstanding analytical skills, providing a lucid and balanced account of the complex and rapidly changing trends in these two political domains.

The first group of chapters, the ones dedicated to industrial and labour market policies by Castañer and Recio, are excellent studies looking at the historical transformations of policy formulations and instruments. The attention paid to political actors and processes is well combined within considerations about the 'external' context, namely the rapidly changing economic (national and international) production structures. The chapter about fiscal policy, also within this group, is definitively more oriented towards economics in its analysis. Despite acknowledging the political choices of the different types of taxes, and the social and political dimension of the extensive fiscal fraud, this chapter by González Calvet does not explicitly examine the negotiating actors, their interactions, their alternative arguments, and their effects on the sequential outputs from the deep re-formulation of this policy.

The chapters subsumed under the 'welfare state' grouping highlight larger analytical differences among them. The accurate and excellent chapter on education policy by Bonal is the only one of its kind. The chapters on health and housing policies by Guillén and Cabiedes and García and Tàjter are generally quite descriptive. In the first case, the tables and data presented are rather out of date, failing to provide information later than the early 1990s. Yet, the most problematic aspect of both chapters is their closeness to the discourse of official reports and documents, and the lack of focus placed on the actors and their political debates. The chapter about pensions and unemployment benefits by Adelantado, Noguera and Rambla contains overly ideological utterances which do not help to elaborate a nuanced picture of decision-making dynamics. The bias against neo-liberal alternatives in this chapter is clear, the contributors participating rather than studying the genesis of the conflicting political choices. Notwithstanding its detailed and well-documented account, the ideological content undermines its analytical sharpness.

The five chapters lumped together under the third group of 'new policy areas' do indeed show analytical sharpness. In collective terms, they tend to follow much more closely the conceptual and analytical framework of the introductory chapters in the book, emphasizing the dynamics of actors' networks and their effects on policy outputs. The chapters on telecommunication and environmental policies, by Jordana and Aguilar, stress the dominance of specific actors in policy making throughout the period studied, and the relevance of the changing nature of the European context for these functional domains. Linguistic and immigration policies are two hotly debated policies in Spain, as in many other European countries. The excellence of these analyses by Arguelagué and Casey rests primarily in the detailed attention paid to related political symbolism and complex social dynamics. Last but not least, gender policy in Spain has tended to be a rather low-profile political domain which is now gaining visibility both for women themselves and society in general. The lucid and accurate study by Sensat and Varella locates itself in the relevant debate being held within 'gender studies' at international level.

The careful work in the two concluding chapters shows the willingness of the editors to close an academic exercise in a reflective manner. The idea of splitting the conclusions into two chapters, one summing up previous case studies, and another more analytical in content, is a good one. This second chapter deals again with the territorial dimension of Spanish policy making, both from the decentralization and Europeanization dimensions, showing by functional sectors, the complexity and multi-level nature of the political space. And also, this chapter deals with policy style in Spanish politics. However, it is difficult to assess a single definition of the national policy style, since the sectors analysed in the book simultaneously

demonstrate reactive, anticipatory, conflictive and consensual forms. In spite of these notorious functional disparities Subirats and Gomà still see a historical trend: moving from reactive, consensual and open networks in policy style during the 1977–82 period, to a more anticipatory, conflictive and closed form of networks during the three terms of Socialist governments (until 1996), in which the activism of the governmental actor re-balanced the modes of policy making. The short discussion about the modernization of public administration included in this chapter could have benefited from a discussion about the role of technocrats and professionals in the central position that governmental actors have held in policy networks, and the predominance of 'technical' solutions over 'political' ones.

To sum up, we can congratulate Gomà and Subirats for undertaking the daunting and exhausting task of editing a book that indicates the turning point for policy analysis in Spain. Their work will not only open up further empirical lines of research, but also hopefully much needed theoretical and conceptual debates within Spanish scholarship. Undoubtedly, international researchers could benefit much from an English version of this work, which would also serve to bring these policy areas into a broader comparative light.

Susana Borrás

Roskilde University, Denmark

SOCIAL EXPERIMENTS. EVALUATING PUBLIC PROGRAMS EXPERIMENTAL METHODS

Larry L. Orr

Sage, 1999. 263pp. £18.99 (pb)

This is a 'how-to' book on ways to evaluate social policy by using experimental methods. In the first chapter the defining characteristics of the social experiment are introduced as the random assignment of individuals to one or more treatment groups and a control group. The treatment groups consist of individuals assigned to one or more variants of the programme under evaluation, whereas the control group participants are excluded from the programme altogether. The impact of the programme is measured as the difference between treatment and control group outcomes. Some of the limitations of the method are presented, the most severe perhaps being the unavoidable focus on the behaviour of individual programme participants. Random assignment of programme participants cannot provide estimates of programme effects on broader aggregations of individuals, such as neighbourhoods, local councils or cities. In an interesting and well-informed manner, Orr also deals with the important question of whether social experimentation is ethical. Finally, a brief history of social experimentation in the USA is offered. Among other things we get to know that as few as about 195 experimental studies have been conducted between 1961 and 1995.

The basic concept behind the experimental method is explained in greater detail in chapter 2, where we are given clear advice on how treatment and outcome should be specified and differences interpreted. In the remaining chapters important issues for the evaluator responsible for designing, implementing and analysing the results of a social experiment are discussed. Chapter 3 presents alternative models for random assignment – dependent on whether the programme is ongoing or a special demonstration and on the number of different policies to be evaluated. Chapter 4 deals with random assignment models, including issues such as how to calculate the sample size and select sites to obtain optimal statistical power. In chapter 5 practical advice on implementation and data collection is given. In this phase of the experiment it is of vital importance to gain the co-operation of the programme staff.

As demonstrated in chapter 6, the ultimate strength of social experiments is the simplicity with which results can be analysed. Nevertheless, potential biases must be taken into consider-

ation. The author points to the loss of follow-up data because of survey non-response, this being probably the most common departure from the ideal in real-world social experiments. In addition, the fact that a programme or social policy is found to have intended effects is not necessarily sufficient to justify adoption, which is why we are told how to calculate benefits and costs.

The last chapter of the book (chapter 7) is the least necessary of them all. However, the discussion on how social experiments can – and, according to the author, should – inform the process of policy making is neither uninteresting nor wasted. It applies, however, as much to research and evaluations in general as to social experiments in particular.

I find the book well written, well organized and easy to follow. It is illustrated sufficiently, rather than excessively, by instructive examples. The author's knowledge and insight into the issue is beyond doubt. The vital question, however, is whether we need a book like this. As mentioned, only 195 experiments have been evaluated in the USA over the last thirty years and the number in Europe is unlikely to be any greater (we hardly know of any real experiments from Norway). The experimental method is truly exclusive. This might result in few readers, as this method rarely suits the evaluation situation – not least because it is heavy on resources and time. At the same time, this exclusiveness could function as an argument in favour of a practical guide like this. And since most researchers lack practice in the field of experimental methods it is of vital importance that experienced practitioners, such as Orr, share their knowledge.

Orr presents the experimental method as the 'gold standard' of programme evaluation. It is his experience that the use of ordinary econometric techniques with their 'clouds of confusing correlations ... make the inference of causality .. hazardous'. He therefore underlines the superiority of the method in deciding what causes what in the real world and in estimating the exact magnitude of the impact with measurable confidence. This is the case, however, only in properly designed and implemented experiments and numerous pitfalls in the practice of the experimental method are demonstrated in the book. For instance, difficulties may be confronted when trying to obtain a random sample, stating the real content of the experiment, and obtaining reliable data. Most of the biases potentially caused by such problems can be handled by adjusting the estimates without seriously distorting the condition of random assignment – but not all of them. For example, when it comes to the common problem of loss of follow-up data as a result of survey non-response, the experimenter is in much the same position as the non-experimental analyst. Orr concludes that, in fact, it is impossible to know how well the treatments and control groups are matched, that is, whether the estimates are biased. Thus, the general view that knowledge in social science is uncertain definitively holds true also for the experimental method. It is hard for me to see why we do not risk making estimates and inferences of causality which are just as hazardous when using the experimental method as any other adequate method. In the ideal world the experimental method may be by far the best; in the real world this is less obvious.

It is symptomatic that the word 'theory' is not found in the index of the book. The claim from some quarters that experimental methods are unsuitable for dealing with the question of why or how a programme is working, is not touched upon at all. Even though a discussion on this subject would have been highly interesting, it would be unfair to criticize Orr for questions he does not raise. In experimental methods, theory is obviously not needed. The book does what it promises, therefore: to be a practical guide to social experiments.

Signy Irene Vabo

Norwegian Institute for Urban and Regional Research

POLICY-MAKING AND DIVERSITY IN EUROPE. ESCAPE FROM DEADLOCK

Adrienne Héritier

Cambridge University Press, 1999. 113pp. £35.00 (hb), £11.95 (pb)

In a system of multi-level governance involving very diverse actors and ruled by 'quasi-unanimity', like the EU, there is a strong inherent tendency for policy making to be brought to a halt, Adrienne Héritier asserts in her new book. This is because the great majority of decisions taken entail one or other type of cost for at least some of the participants, e.g. economic losses, financial burdens, or alien regulatory styles implying problems of administrative adjustment. However, since the EU is also characterized by institutional change and rapid policy movement, there is an apparently paradoxical co-existence of stalling and quick development that needs explanation. How can interest accommodation, policy innovation and democratic legitimization in various issue areas be accounted for in a system which is so riddled with veto points? The author's answer is 'subterfuge', or 'escape routes'. These are informal strategies and process patterns that circumvent political impasses, including for example the creative use of various institutional channels and arenas, windows of opportunity, and elements of surprise and secrecy. It is assumed at the outset that subterfuge has a greater potential in an 'unsettled polity' like the EU than in a mature or 'finished' governance system.

Héritier then derives some propositions from bargaining theory and organization theory respectively regarding how decisional deadlocks might be transcended. According to bargaining theory, stalemates may be avoided by, for instance, striking package deals, offering compensation payments and reaching compromises. From organization theory she borrows Nils Brunsson's idea of hypocrisy according to which deadlocks are circumvented by 'talk' and symbolic action. Policy innovation is facilitated by insulating experts from their political masters.

Based on her own empirical research, and on secondary analyses, Héritier then discusses the role of subterfuge in various policy arenas, arenas that are somewhat akin to Theodore Lowi's typology: market-making policy (transport and telecommunications), the provision of collective goods and the reduction of externalities (environmental policy), market-correcting, redistributive policy (regional and social policy) and market-correcting, distributive policy (research and technology). The main result of the empirical work is that policy processes in all the sectors covered might have come to a halt had it not been for the available 'escape routes', package deals, shifts of arenas (e.g. from the Council to the Court), alternative procedures (e.g. QMR vs. tripartite corporatist deals); external events, 'talk' separated from action, expertise insulation, etc. Thus, the underlying theories offer complementary answers. 'Where the stakes are clear and the problem is easy to understand, bargaining theory covering all forms of compromises is arguably more appropriate' (p. 91). Given the opposite situation, the separation of talk and action emphasized by Brunsson may be better in order to explain subterfuge. However, no clear relationship between type of policy and the use of escape routes emerged from the data.

By mainly drawing on Brunsson's work on hypocrisy, the author has been extremely selective concerning the role that organization theory might play in her efforts to account for how deadlocks might be avoided. In my view there are several far more obvious expectations that could be derived from an organizational perspective. For example, one would assume that national decision makers who interact routinely and extensively with other nationals and EU representatives within organizational settings like working parties and ministerial meetings will become affected to some extent. As participants in multi-level structures, they become exposed to additional obligations, agendas, problems, solutions, incentives and sanctions. It follows that interest diversity may become modified, that common solutions might be discovered, and that deadlock situations probably will occur less frequently. The organizational resources available at the supranational level could be crucial as regards the extent to which

collective agendas and alternatives can be developed and substantiated. And finally, a complex and loosely coupled system like the EU may be highly conducive to policy innovation. From an organizational point of view this feature of the EU is probably much more important than the insulation of experts from political control.

Adrienne Héritier has a lot to say about the pivotal role played by institutions like the Commission and the Court in various policy arenas. May be several readers will miss an explicit discussion on the intergovernmentalism/institutionalism issue which is so high on the research agenda (as well as on the political agenda). Within the chosen frame, however, Adrienne Héritier has written a tightly woven book which is analytically stringent and empirically rich.

MORTEN EGEBERG

University of Oslo

REVITALIZING THE STATE. A MENU OF OPTIONS

Pradip N. Khandwalla

Sage, 1999. 303pp. \$45.00

Dieter Grimm, a well-known member of the German Supreme Court, compared the modern state to a castrated tomcat: it becomes fat, increases in weight and therefore seems to be strong. In reality, however, it has lost most of its vitality and power.

State theory is faced with a similar paradox: the massive expansion of bureaucracy, the continuous growth of public budgets and the increasing number of government interventions do not strengthen, but rather weaken the state. In general, experience shows that the great extension of state activities exceeds the capacity of political systems, leading to what has been called 'governmental overload'.

For Pradip N. Khandwalla, Professor of Organizational Behaviour at the Indian Institute of Management, the decline of the contemporary state across different countries was the starting point of his reflection on the future of the state. But Khandwalla does not want to stop with the analysis of the state's problems: his aim is to go beyond the analysis and to seek working solutions which would then be designed to revitalize the state.

His investigation is led by two principal questions: first, how to ensure that the state is responsive to citizens' demands and serves the public's long-term interests. The second question deals with the problem of the effective management of the state. To get a solid analytical basis for his proposals, Khandwalla identifies four different types of states which have the strongest influence on the formation of societal and political development in the twentieth century: the interventionist welfare state, the developmental state, the 'reinvented' entrepreneurial state, and the World Bank model of the human market-friendly state.

In his analysis, Khandwalla attempts to show that there are two main areas in which the failure of the state becomes evident: governmental bureaucracy and the polity. In both fields, the author claims, 'the machinery of the state has been hijacked by self-seeking politicians and bureaucrats, often in connivance with corrupt businessmen, so that plunder has supplemented mismanagement'.

Based on these analytical categories of state types, the author illustrates which specific problems occur in different countries and why they occur with the help of international and intersectoral case studies. Whereas the western welfare states with interventionist traditions fared rather well in coping with the problems, among other ways by reinventing entrepreneurial state models, the 'world's poor societies have not in the main been served well by their states'.

For the first aim of revitalization – recharging the bureaucracy – it should be noted that the efficiency of bureaucracy is undermined by typical bureaucratic elements such as fully special-

ized departments and their standard operating procedures. This results in specialists tending to lose sight of generalist concerns. Therefore, one instrument to avoid sub-optimal results would be to have better co-ordination between different organizations. As several case studies of Commonwealth and East Asian countries indicate, there is indeed a possibility of strengthening the efficiency of bureaucracy, for example through the institutionalization of values like quality, productivity, discipline, etc.

Another way to make bureaucracy more effective and closer to the people is to give the units of the state more autonomy. One of the important advantages of fragmenting and decentralizing the state is the fact that, on the one hand, more autonomous public units have greater freedom to be innovative; but on the other, their responsibility and the pressure of good performance increase, since they are confronted with their customers' rights on a daily basis.

Downsizing the state by selected forms of privatization or deregulation could be another important instrument for revitalizing the state. For instance, the field of telecommunication policies in varying countries demonstrate that deregulation or privatization of former governments' functions promotes competition and serves the customer's needs.

In a next step, Khandwalla gives some advice on how to promote the work of politicians and of the government. Strategies such as strengthening fair representation of voters' interests or testing the competence of politicians are discussed and are widely highlighted by several examples. Finally, the book gives proposals on how this knowledge could be used to improve the efficiency of the Indian state.

Khandwalla's book is worth studying, especially since he stresses that there is no 'best way' for revitalizing the state – the strategies and instruments must be selected with regard to the institutional conditions and the level of development of a country. To say it in his own words: revitalization has to be 'tailor-made to the state's context'. Although Khandwalla approves strategies like privatization or deregulation, he recognizes that a minimal or even 'nihilist state' is not the solution for the current problems. Especially in developing countries, it would be dangerous to view the market as a panacea for the state's defects. On the contrary, the case studies indicate that welfare in poorer societies needs to be supported by vast public activities.

Of course, one could criticise a few of Khandwalla's proposals on several accounts. He generally seems to underestimate the fact that the intended revitalization depends on political support and that political processes and negotiations tend to be slow moving. In his book, how successful reforms should be designed is widely discussed, although taking the fact of different institutional arrangements into account, there is still little discussion about the complicated bargaining processes between different political actors in the various political systems. Furthermore, the author's statements regarding reinvention of the democratic state are sometimes too generalized, for example in his discussion of the positive effects of direct democracy. It is necessary to remember that direct democracy may help those politicians who use this form of election only as an instrument for their personal aims. In another perspective, direct democracy does not necessarily foster innovative political decisions, since political actors fear that their decisions may be rejected.

In summary, Khandwalla's book is a useful source for scientists and practitioners alike who are dissatisfied with the simple complaints about the state's defects, and who aspire to know which solutions actually do exist.

Volker Fürst
Technical University of Munich

COMMUNICATIONS

ANNUAL REPORT 1999

R. A. W. RHODES, PETER BOGASON, BILL JENKINS AND WALTER KICKERT

When the Royal Institute of Public Administration (RIPA) owned *Public Administration*, the editors always reported annually on the journal's fortunes. The practice lapsed when the RIPA went into receivership. Now, with the launch of the journal as a European journal of public administration, we thought it was a good idea to reintroduce an annual report covering the journal's work in the previous year. It will provide an opportunity to air problems and to tell readers where the journal is heading.

The report describes the flow of manuscripts and the contents of the journal before briefly surveying each section. It ends with a resumé of our plans for the journal and a 'thank you' to the many people who have helped during the year.

MANUSCRIPTS

Table 1 shows the total number of manuscripts submitted in 1999 and their distribution between the main sections of the journal.

There has been a steady flow of material and the increase in submissions on Western Europe is both noteworthy and pleasing. On average we accept 1 in 4 papers (26 out of 109 submissions) but there are variations between sections; for example: 'Public Management' accepted 1 in 2 submissions because of the relative shortage of material.

CONTENTS

Table 2 shows the number of articles published in 1999 for each section of the journal.

Table 3 classifies the articles published in 1999 by their subject matter. It uses the categories in Rhodes 1995 and Rhodes and Dargie 1997 and so updates their historical analysis of the journal's contents. It shows a wide distribution of material, apart from the planned increase in articles on Western Europe and the EU.

TABLE 1 *Manuscripts submitted, 1999, by journal section**

<i>Journal section</i>	<i>Number of manuscripts</i>
Main	62
European Forum	52†
Public Management (including Notes)	7
TOTAL	121

*Excludes conference papers and commissioned pieces.

†Includes 12 papers carried forward from 1998 to ensure we had enough copy to launch this new section.

TABLE 2 *Articles published, 1999, by journal section*

<i>Journal sections (excluding reviews)</i>	<i>Number of articles</i>
Main	20
European Forum	16
Public Management (including Notes)	4
Other (editorials, obituaries)	3
TOTAL	43

TABLE 3 *Articles published, by subject matter, 1999**

<i>Subject</i>	<i>1999</i>	
Administrative Theory	3	7.5
Public Management	4	10
Public Policy Making	3	7.5
Accountability	1	2.5
Personnel	3	7.5
Local Government and other sub-central bodies	4	10
EU	4	10
Central Government	3	7.5
Comparative	1	2.5
a) Western Europe	12	30
b) USA	1	2.5
Other (IT)	1	2.5
TOTAL	40	100

*The table does not include editorials and obituaries.

MAIN ARTICLES

There have been no problems with either the quantity or quality of material submitted to this section and we continue to attract submissions from Australia and the USA as well as the UK. If there is a problem, it is the speed with which we publish accepted papers. It was always our aim to publish within 2 issues of acceptance but this is no longer possible and we are struggling to publish within 3-4 issues. There are always 15-20 articles awaiting publication. The trend reflects the 'publish or perish' ethos of British universities and the need to make space for the newcomers of the 1990s, 'Public Management' and the 'European Forum'.

EUROPEAN FORUM

Inevitably, there were some growing pains caused by rapid turnover of support staff in Newcastle and Rotterdam and the problems of setting up a manuscript management system on computer which could be accessed by four editors in three countries. So, in the first six months papers went astray and some authors experienced long delays in the processing of their manuscripts. To those few, but rightly, furious authors we can only offer our apologies and point out that the second half of 1999 was much better than the first.

There are still problems. The existing database of referees was built for a British journal, not a European one. So we have too few continental referees and the advisory board carried a heavy load in its first year. Obviously we will add new referees to our database, but it takes time. The problem was compounded by the delays in getting referees' reports. We know academic life gets busier and busier but pro-

fessional standards depend on high-quality refereeing. It took a long time to get replies out of some referees and those referees who could not be bothered to reply inconvenienced authors and editors alike. We will not publish a blacklist, but we know who you are!

There is a distinct pattern to submissions. We expected more articles from North-west Europe but were disappointed with the number from France and Germany, let alone from Eastern European and Mediterranean countries. We will have to do more to encourage submissions from these countries, for example by commissioning articles.

We did not expect the volume of material that arrived on the European Union. Although we will cover the EU, there is a limit to the number of articles we can publish on the effects of the EU on (fill in the name of the country). Also such articles are all too often descriptive case studies and we would prefer more emphasis on analysis.

Despite the problems, we met our target of four articles an issue and the journal should reach its target of at least 50 per cent of articles on European, comparative and international public administration in the next few years.

PUBLIC MANAGEMENT

During 1999, we published two 'Public Management' articles and two 'Notes'. During the same period we accepted four 'Public Management' articles while a further three were with authors for revision. The 'Notes and Surveys' section is under used as a way of publishing research results or shorter studies. For 'Public Management' and 'Notes and Surveys' future editorial policy will be to raise their profile. Also we will publish the occasional 'symposium' of articles drawing together practitioners and academics. Future possible topics include the *Modernising Government* initiative on 'Joined-up government' and its proposed reforms of the policy process; democratic renewal in local government (for example, elected mayors); and the changing scope and practice of audit. We want to publish articles by practitioners in these sections and we welcome contributions from anywhere. 'Public Management' is not reserved for UK practitioners. The new public management is a world-wide trend and all we ask is that any piece addresses issues of general concern.

REVIEWS

In recent years, the pressure on space has seen fewer reviews to accommodate the increased volume of articles. With the Europeanization of the journal, more space is now available for reviews. We have expanded the reviews section in several ways: more review essays; more non-English language books; more discussion of public reports; and reviews of the newer media, including relevant WWW-pages and compact disks. Rod Rhodes still handles British books on British public administration.

To get better information about individual countries, we have invited several, young scholars to join a reviews advisory board of the review section. This innovation has been a success; for example many wrote reviews of the structure of public administration teaching in their country and the most popular textbooks.

The goals for 2000 are to get about two review essays of three to five or more books in each issue. We also aim to get the public report discussions off the ground and a review of OECD reports on regulation has been commissioned. We have begun to publish reviews of WWW-pages but more needs to be done. We have not received any relevant compact disk material. The non-English language books for review build up slowly but there will be many more such reviews in 2000. The book section is in good shape.

DEVELOPMENTS

Our plans for the journal can be found in the editorial which leads in the first issue for 1999 (Vol. 77, No. 1). We will not waste space repeating those plans. However, there is one more innovation. Although we will no longer publish a special issue every year, we are still open to suggestions. Also, we will publish symposia of three to four articles for each section of the journal.

ACKNOWLEDGEMENTS

Every journal has a team of helpers. We would like to thank all members of the Editorial Board for their advice in general but most specifically for refereeing papers for 'European Forum'. We relied heavily on them in the first year. Jean Frostick is the journal manager and she coped with the expansion and hiccups with great good cheer. Celine Fitzmaurice, Angela Mulvenna and Karin Milovanovic provided much appreciated administrative and secretarial support. We also thank a panel of scholars reporting to the review editor about developments in the national literature and in international organizations.

REVIEW SECTION ADVISORY PANEL

Yvonne Fortin (Ecole normale supérieure de Cachan); Wolfgang C. Müller (Wien); Tanja Börzel (Max-Planck Project Group Bonn); Stig Montin (Örebro); Siv Sandberg (Aabo Akademi); Rudolfo Lewanski (Bologna); Peter John (Birkbeck College); Sandra Kensen (Catholic University, Tilburg); Pascal Sciarini (Geneve); Nicolai Dose (TU München); Jan Beyers (Leuven); Helen Margetts (Birkbeck College); Elke Löffler (OECD); Christopher Reichard (Potsdam); Calliope Spanou (Athens); Bernadette Connaughton (Limerick); Anne Lise Fimreite (Bergen); Ignacio Molina (Juan March Institute, Madrid).

Finally, we must thank all our referees. They are essential to keeping the journal's standards high. We know they are busy people. There are no rewards for reading and commenting on papers. As a small token of appreciation we list, in alphabetical order, all our referees in 1999.

REFEREES

Keith Alderman (University of York); Svein Andersen (University of Oslo); Rob Baggott (De Montfort University); Peter Barberis (Manchester Metropolitan University); Anthony Barker (University of Essex); Michael Barzelay (London School of Economics); Paul Bate (University of Birmingham); Christine Bellamy (Nottingham Trent University); John Bennington (University of Warwick); Johnston Birchall (Brunel University); Jens Blom-Hansen (Aarhus University); Tanja A. Börzel (European University Institute); Tony Bovaird (Aston Business School); George Boyne (University of Wales, Cardiff); Barry Bozeman (Georgia Institute of Technology); Shaun Breslin (University of Warwick); Hans Th.A. Bressers (University of Twente); Simon Bulmer (University of Manchester); Martin Burch (University of Manchester); Tony Butcher (Goldsmiths College, London); Dave Byrne (Durham University Business School); Paul Carmichael (University of Ulster); Alan Cochrane (Open University); Ian D. Colville (University of Bath); M. E. H. Connolly (University of Glamorgan); Debbie Cox (University of Manchester); Harry Daemen (Erasmus University Rotterdam); Carsten Daugbjerg (Aarhus University); Chris Davis (University of Birmingham); Pat Day (University of Bath); Nicholas Deakin (University of Birmingham); John Dickens (Luton University); David Dolowitz (University of Liverpool); Sue Dopson (Templeton College, Oxford); Gavin Drewry (Royal Holloway & Bedford New College); Geoffrey Dudley (Staffordshire University); Yves Emery (Graduate School of Public Administration,

Switzerland); David Farnham (University of Portsmouth); Michael Foley (University of Wales); Christopher Foster (Price Waterhouse Coopers); Andrew Gamble (University of Sheffield); Chris Game (University of Birmingham); Iris Geva-May (University of Haifa); Philip Giddings (University of Reading); Barry Gills (University of Newcastle); Klaus Goetz (London School of Economics); Andrew Gray (Durham University Business School); John Greenaway (University of East Anglia); Royston Greenwood (University of Alberta); Carsten Greve (University of Copenhagen); Ton van der Grinten (Erasmus University Rotterdam); Herman van Gunsteren (University of Leiden); Kenneth Hanf (Erasmus University Rotterdam); Brian Hardy (University of Leeds); Steve Harrison (Nuffield Institute for Health); Keith Hartley (University of York); Mary Henkel (Brunel University); Michiel Herweijer (Rijksuniversiteit Groningen); Andrew Hindmoor (University of Exeter); Ben Hoetjes (Clingendael Institute); Jens Hoff (University of Copenhagen); Brian Hogwood (University of Strathclyde); Christopher Hood (London School of Economics); Andries Hoogerwerf (University of Twente); Liesbet Hooghe (University of Toronto); Sylvia Horton (University of Portsmouth); Robert Hudson (University of Leeds); David Hunter (University of Leeds); Peter Hupe (Erasmus University Rotterdam); Peter Jackson (Leicester University); W. I. Jenkins (University of Kent); Lotte Jensen (University of Copenhagen); Bob Jessop (University of Lancaster); George Jones (London School of Economics); Grant Jordan (University of Aberdeen); Torben Beck Jørgensen (University of Copenhagen); W. J. M. Kickert (Erasmus University Rotterdam); Rudolf Klein (Bath University); Erik Hans Klijn (Erasmus University Rotterdam); Peter Knoepfel (Graduate School for Public Administration, Switzerland); Klaus König (Verwaltungshochschule Speyer); Jan-Erik Lane (University of Geneva); Steve Leach (De Montfort University); Rachel Locke (University of Sussex); Martin Loughlin (University of Manchester); Hans Maarse (University of Maastricht); Giandomenico Majone (retired); M. Mandell (California State University Northridge); Nick Manning (The World Bank); Bernd Marin (European Centre for Social Welfare Policy and Research, Vienna); Gary Marks (University of North Carolina); John Martin (Victoria University of Wellington); Stephen Martin (University of York); Steve Martin (Warwick Business School); Fritz van der Meer (University of Leiden); Frans-Bauke van der Meer (Erasmus University Rotterdam); Marco Meneguzzo (Università Bocconi Milano); Yves Meny (European University Institute); Les Metcalfe (European Institute of Public Administration); Pauline Meurs (Erasmus University Rotterdam); Nico P. Mol (Technical University Twente); Jonathan Montgomery (Southampton University); Nicole de Montricher (GAPP); Oliver Morrissey (Nottingham Trent University); Pierre Muller (CEVIPOF); Johan P. Olsen (ARENA); Bob Osborne (University of Ulster at Jordanstown); Larry O'Toole (University of Georgia); Edward Page (University of Hull); June Pallot (University of Canterbury); Kees van Paridon (Erasmus University Rotterdam); Richard Parry (University of Edinburgh); Stephen Peckham (University of the West of England); Andrew Pendleton (Manchester Metropolitan University); Alison Petch (University of Glasgow); Guy Peters (University of Pittsburgh); John Peterson (University of Glasgow); Mark Phythian (Wolverhampton University); Jon Pierre (University of Gothenburg); Robert Pinkney (University of Northumbria at Newcastle); Christopher Pollitt (Erasmus University Rotterdam); Robin Porter (Keele University); Lawrence Pratchett (De Montfort University); Robert Pyper (Glasgow Caledonian University); Hal Rainey (University of Georgia); Wendy Ranadé (University of Northumbria at Newcastle); Vicky Randall (University of Essex); Stewart Ranson (University of Birmingham); Nirmala Rao (Goldsmiths College, London); Christoph Reichard (University of Potsdam); Ella Ritchie (University of Newcastle upon Tyne); R. Robinson (London School of Economics); Neil Rollings (University of Glasgow); Richard Rose (University of Strathclyde); Luc Rouban (CEVIPOF); Paul A. Sabatier (University of

California); Donald Savoie (Université de Moncton); Kuno Schedler (University St. Gallen); Erwin Schwella (University of Stellenbosch); Wolfgang Seibel (University of Konstanz); Michael Sherer (University of Essex); Chris Skelcher (INLOGOV); Brian Smith (University of Dundee); Martin Smith (Sheffield University); Peter C. Smith (University of York); Ignace Snellen (Erasmus University Rotterdam); Calliope Spanou (University of Athens); Ken Spencer (University of Birmingham); Bernard Steunenberg (University of Leiden); John D. Stewart (University of Birmingham); Richard Stillman (University of Colorado at Denver); Gerry Stoker (University of Strathclyde); Joan Subirats (Autonomous University of Barcelona); Gerard Timsit (Université Paris I); Pieter Tops (Catholic University of Brabant); John Wanna (Centre for Australian Public Sector Management, Griffith University); Hal Wolman (Wayne State University); Diana Woodhouse (Oxford Brookes University); Stephen Young (University of Manchester).

REFERENCES

- Rhodes, R. A. W. 1995. 'The state of public administration a professional history of the 1980s', *Public Administration* 73, 1–15.
- Rhodes, R. A. W. and C. Dargie 1996 'Traditional public administration', *Public Administration* 74, 325–32.

ARTICLES

'REGULATION RUN MAD': THE BOARD OF TRADE AND THE LOSS OF THE *TITANIC*

IAIN McLEAN AND MARTIN JOHNES

And so a rule which has become established by the safe practice of some 30 years is to be set aside because one exception has occurred in what are acknowledged to be exceptional circumstances. Surely this is regulation run mad ... The whole blame should have been placed on the *bad look-out*' (Sir Alfred Chalmers, former Nautical Advisor, Board of Trade, 'Memo on the finding of the Court of the loss of the *Titanic*', c. August 1912, PRO MT9/920/425. Stress in original).

'Boats for all' [is] one of the most ridiculous proposals ever put forward. (R. D. Holt, MP, partner in Alfred Holt & Co. shipowners, House of Commons, 7 October 1912).

The Board of Trade has got many eyes and many ears, but it does not seem to have any brains (W. D. Harbinson, counsel for the third-class passengers, British inquiry transcript, p.738).

Disasters often involve regulatory failure. Somebody was responsible for safety and failed to ensure it, through negligence or lack of imagination, or both. The loss of the *Titanic* is the UK's best-known and deadliest peacetime disaster. This article revisits the causes of, and inquiry into, the sinking. It illustrates how the disaster was an early example of the kind of injustice and regulatory failure that has often been central in more recent catastrophes. A regulatory body had, in effect, to inquire into its own shortcomings; therefore too little blame was laid in high places, and too much in low places. The *Titanic* report scapegoated the captain of another vessel, although the question of his blameworthiness was not read into the inquiry's instructions until after it had heard him. The shipping industry blocked any serious discussion of the disaster in Parliament.

Iain McLean is Official Fellow in Politics, Nuffield College, and Professor of Politics, University of Oxford; Martin Johnes is Research Officer, Nuffield College, Oxford

Public Administration Vol. 78 No. 4, 2000 (729-749)

© Blackwell Publishers Ltd 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

INTRODUCTION

The *Titanic* disaster has been the subject of a wealth of work ranging from the sensational to the academic. Investigators have examined the questions of blame and responsibility (Ballard 1995; Davie 1986; Gardiner and van der Vat 1995; Dept of Transport 1992). Here we take that subject on by offering further evidence, analysis and parallels with later disasters. The core of this paper is an analysis of the preparation, writing, and reception of the UK official report on the disaster. We show that a regulatory body had, in effect, to inquire into its own shortcomings; therefore too little blame was laid in high places, and too much in low places. The *Titanic* report scapegoated the captain of another vessel, although the question of his blameworthiness was not read into the inquiry's instructions until after it had heard him. Although there were two Commons debates on the disaster, Parliament failed to regulate the regulator. We conclude by locating the *Titanic* disaster in the current literature on policy failure and regulatory capture.

Regulation, in its most general definition, is 'the imposition of economic controls by government agencies on (usually) private businesses' (Keeler and Foreman 1998, pp. 213–22, quoted at p. 213. For the Chicago theory of economic regulation see Stigler 1971; Peltzman 1976; Breyer and MacAvoy 1987). Governments have regulated businesses for as long as both have existed. Among the things regulated are price, quantity of goods, quality of goods, entry and exit of firms, and (most relevant here) safety. Victorian statutory regulation of transport in the UK began with the first railway regulation act of 1840. It became much more sophisticated with Gladstone's Act of 1844 (McLean and Foster 1992); more controversial with the enforcement of the 'Plimsoll line' in the Merchant Shipping Act 1876, and most compendious with the Merchant Shipping Act 1894, which was the regulatory statute that applied to UK shipping in 1912.

What is regulation for? To that, there are numerous internal and external answers. The internal answers come from legislators and regulators; the external, from academic analysts (mostly in Chicago). The internal case for safety regulation is that consumers lack information about product safety. A would-be emigrant (or for that matter a would-be first class passenger) cannot tell by inspection the difference between a safe liner and a dangerous one. Therefore it was legitimate, even in the era of *laissez-faire*, for the state to impose safety regulations on shipping companies. The external analysis accepts that the case exists, but adds that all parties will act in their self-interest. Regulators will support regulation *per se* because it gives them a job. Industries will oppose it in so far as it raises their costs, but support it in so far as it protects existing firms from competitors. Politicians will maximize what Peltzman called their political support function. Peltzman defined it in terms of price and wage regulation, but the definition is general and may apply to any kind of regulation: 'the regulator adjusts

...until the marginal political support from ... change in any direction yields no further increase in political support' (Keeler and Foreman 1998, p. 214). Regulation fails when it fails to achieve its stated aim. When a liner which amply met the relevant safety regulations sank, there was *prima facie* a regulatory failure.

The White Star liner *Titanic* struck an iceberg on her maiden voyage from Southampton to New York on the night of 14/15 April 1912. Two hours later she foundered in a flat calm sea with the loss of 1,490 lives; 711 people were saved. A US Senate investigation began on 17 April 1912; a UK Court of Inquiry, chaired by Lord Mersey, a retired Liverpoolian judge who had specialized in commercial cases, was set up on 23 April, but had to await the return of many witnesses from the USA. The surviving British crew of the *Titanic* were detained on return to Britain in order to extract their witness statements and, where appropriate, to hear their oral evidence. For some of them, this was their second detention. Their pay was halted when the *Titanic* sank. Both the US and the British authorities therefore took steps to detain the crew. The UK inquiry held 37 sittings; its report is dated 30 July 1912, and it was presented to Parliament on 1 August 1912 (*Hansard*, 5th series, vol. 37, col. 1,521; 41; col. 2,220; Mersey 1912).

THE MERSEY REPORT AND ITS RECEPTION

The Mersey report proper is four lines long: 'The Court ... finds ... that the loss of the said ship was due to collision with an iceberg, brought about by the excessive speed at which the ship was being navigated'. The rest of the document is technically labelled an 'annex' to the report (but to avoid pedantry is called the report in the rest of this paper.) It is designed to answer 26 questions, some of them in multiple parts, put to Lord Mersey by the Board of Trade. The material ones, with the report's answers, are in table 1. Where we quote a question or answer verbatim, it is enclosed in single quotation marks.

Several of the questions arose from survivors' reports, the earlier inquiry held by the US Senate, and press campaigns. When the Mersey committee started work, the following facts were already common knowledge:

- although exceeding the number required by Board of Trade regulations, there were not enough boats to rescue all the passengers and crew;
- not all of the boats were full;
- many more women and children had survived than men; more deck crew than engineering or catering crew; and more first-class passengers than third-class
- several survivors had reported seeing the lights of a ship not far away, which they assumed would come to the rescue.

The President of the Board of Trade, Sydney Buxton, faced several sessions of angry Parliamentary Questions on the loss of the *Titanic*. The Board

TABLE 1 *Titanic: Board of Trade questions and Mersey report answers*

Q. no	Board of Trade question	Mersey report answer
2	‘Did the <i>Titanic</i> comply with the requirements of the Merchant Shipping Acts...?’	‘Yes’
3	‘In the actual design and construction of the <i>Titanic</i> what special provisions were made for the safety of the vessel and the lives of those on board in the event of collisions and other casualties?’	Described in report; regarded as satisfactory
5c	‘Had a boat drill been held on board, and if so, when?’	No, because firemen refuse to get involved in boat drills
5d	‘What was the carrying capacity of the respective boats?’	‘1178’
6	Were the Marconi wireless arrangements satisfactory?	‘Yes’
7	Were the company’s navigation instructions to the Master satisfactory, given the ‘time of year and dangers likely to be encountered’?	‘Yes, but having regard to subsequent events they would have been better if a reference had been made to the course to be adopted in the event of reaching the region of ice’
19a	Was the boat launching equipment in good order?	‘Yes’
19b	Were the boats launched correctly under appropriate supervision	‘Yes’
20a-c	Analyse each boatload according to the proportion of crew, male and female passengers, and passengers in each class	Unable to do so because crew’s evidence conflicts with that of the rescuers
20d	‘Did each boat carry its full load and, if not, why not?’	‘No ... for the following reasons: 1. Many people did not realise the danger or care to leave the ship at first 2. Some boats were ordered to be lowered with an idea of their coming round to the gangway doors to complete loading 3. The officers were not certain of the strength and capacity of the boats in all cases’
21f	‘What reason is there for the disproportion if any’ between the survival rates of different classes of crew and passengers?’	Although far more third-class passengers died than first or second, the Court decided that they had not been deliberately obstructed. Their own counsel agreed with this position in his summing-up
24b	Did any vessel fail to assist in the rescue? [for origin of this question see text]	‘The <i>Californian</i> . She could have reached the <i>Titanic</i> if she had made the attempt when she saw the first rocket. She made no attempt.’
24c	‘Was the construction of the vessel and its arrangements such as to make it difficult for any class of passengers or any portion of crew to take full advantage of the existing provision for safety?’	‘No’
26	The Court is invited to report on the Rules and Regulations made under the Merchant Shipping Acts, 1894-1906 ... and to make any recommendations or suggestions that it may see fit ...’	[see text]

had, after all, passed the *Titanic* as fit to sail. On 21 May 1912, the Opposition moved to reduce Buxton's salary by £100. This was the usual parliamentary means of voting censure on a minister. It was talked out without a vote. On 7 October 1912, there was a Commons debate on the Mersey report. This was likewise talked out without a vote, and Lloyd George, standing in for the Prime Minister, H. H. Asquith, refused to provide parliamentary time to resume the debate (*Hansard* 42, cols. 1,057–8). The most important point raised in the Commons was that the Mersey inquiry might find the Board of Trade itself to blame: how then could it properly report to the Board of Trade 'if they find that the Board of Trade has been culpable'? Asquith intervened to say, 'There is no difficulty whatever. ... They are perfectly entitled to find the Board of Trade culpable'. Later, Joseph Martin (Lib., St Pancras East; a former Premier of British Columbia) asked Buxton

whether, in view of the fact that the want of proper regulation for life-saving apparatus was the cause of the loss of many persons on the *Titanic*, he intends to suspend the head of the Marine Department of the Board of Trade and to reorganise that Department on a business basis?

Buxton replied that he would await the report. However, the debate on the report was first hijacked by vested interests and then talked out. So Buxton never had to answer that question (*Hansard* 37, 1,091 sqq, 1,865 sqq, 2,058 sqq; 38, 39 sqq, 1,757 sqq; 42, 32 sqq, 1,057. Quoted at 37,2060 (PQ by Major Archer-Shee, reply by the Prime Minister), and at 38,41 (PQ by Mr Martin and reply by Buxton)).

The critics had a point. The report was commissioned by, and answerable to, the Board of Trade, which set its agenda by asking the 26 questions. The Board's reply, that although it requested Mersey he was actually appointed by the Lord Chancellor, hid behind a technicality (Public Record Office (hereafter PRO) MT 9/920/B). Mersey and his colleagues quickly found out that the Board's regulations under the Merchant Shipping Acts had not been updated since 1894. They merely prescribed lifeboat capacity (defined by volume in cubic feet, not by number of passengers) for an undifferentiated class of passenger ships larger than 10,000 tons. But since 1894 the size of the largest passenger ships had quadrupled. The *Titanic* was of 46,328 g.r.t (gross register tons, a measure of volume, not weight). She was over-equipped in relation to the regulations in force when she sailed, which would have required her to have lifeboats only for 962 people, instead of the actual capacity of 1,178 (for a complement of 2,201 passengers and crew on the fatal voyage, and authorized capacity of 3,547).

The overt cause of the disaster, as identified in the four-line report proper, was excessive speed in an area of icebergs. Mersey laid some of the blame on an inadequate lookout. Crew members who had been part of the lookout team told the inquiry that they had had binoculars for the empty trip from Belfast to Southampton, but that they had been taken away at Sou-

thampton, where the first passengers boarded. One member, Frederick Fleet, who spotted the iceberg, told the Counsel for the National Sailors' and Firemen's Union (Thomas Scanlan MP, Nationalist, N. Sligo) that had White Star followed its normal practice of providing binoculars the disaster would have been avoided.

(Mr Scanlan) Do you think if you had had glasses you could have seen the iceberg sooner? – [Mr Fleet] Certainly.

How much sooner do you think you could have seen it? – In time for the ship to get out of the way.

So that it is your view that if you had had glasses it would have made all the difference between safety and disaster? – Yes.

(Wreck Commissioner's Court 1912, part 4, qq. 17,401–17,403, p. 390. Also see evidence of G. A. Hogg, qq. 17,505–17,511, p. 393.)

Yet Mersey concluded, after hearing the evidence of figures within the shipping industry, that, despite the lookout being insufficient, binoculars were not necessary. He blamed the number of crew placed on lookout rather than the actions of those in the crow's nest at the time (Mersey 1912, p. 64).

Regarding the *Titanic's* speed, Mersey found that the practice of all the shipping lines was to continue at speed when they entered an area of icebergs. It had never led to an accident before. Therefore, although Mersey found that it was bad practice, and that the iceberg zone could be avoided by a change of course which would involve only 10 hours' more steaming time, he did not blame either Captain Smith of the *Titanic* (who was killed) or White Star (her owners) for the practice. Mersey concluded that J. Bruce Ismay, the White Star chairman who survived the sinking, had no influence on the ship's speed. In contrast, the US inquiry felt that while Ismay was not personally to blame, he may have unconsciously influenced Smith to travel at speed. Thus Mersey held no one to blame for the reckless practice of speed in the vicinity of ice. However, the report did conclude that 'What was a mistake in the case of the *Titanic* would without doubt be negligence in any similar case in the future' (Mersey 1912, p. 30). No longer would there be the excuse that such recklessness was simply the norm.

The *Herald of Free Enterprise* sank in 1987 because the assistant bosun had failed in his duty to ensure that the bow doors were shut and the master had thus set sail with his ship in an unsafe condition. However, the Sheen report into the disaster cast the blame far wider than the captain and individual crewmembers: 'a full investigation... leads inexorably to the conclusion that the underlying or cardinal faults lay higher up in the Company' (Dept of Transport 1987, para. 14.1). The Mersey report in contrast made some adverse comment on the captain and on the Board of Trade, but ultimately held no individual or corporate body responsible for the actual sinking despite shortcomings in practice, regulation and the law.

Mersey may have wished not to be too harsh on a deceased captain and/or to protect an industry hampered by industrial unrest (Davie 1986, p. 184). Yet even had the Mersey report looked for culprits there was no guarantee that it would have led to action. Establishing criminal negligence for killings by companies has long proved notoriously difficult. Maverick MP Horatio Bottomley raised the question of criminal proceedings against White Star in Parliament (*Hansard* 37, col. 1,204, written Q), but the experience of other disasters suggests that any action would have run into difficulties. The Senghennydd disaster of 1913, where 439 miners were killed, was blamed upon the failure to take precautions common within the industry. However, most were not actually legally required since the relevant act had not yet come into force. Consequently, seven of the charges against the manager were dropped while he was acquitted of another five. He was found guilty of three charges of failing to keep proper records and fined £24. As one local newspaper pointed out, this worked at just a penny-farthing for each miner's life lost (Lieven 1994, p. 264). Aberfan (1966) and Hillsborough (1989) were followed by inquiries that laid the blame clearly at the feet of the NCB and police respectively (Davies 1967; Taylor 1989). Yet neither led to public prosecutions. The Sheen report's condemnation of Townsend Thoresen, the *Herald of Free Enterprise's* owners, and an unlawful killing verdict at the inquest did lead to manslaughter charges but they failed on a technicality, as did the similar charges against Great Western Trains after the 1997 Southall rail crash (see Wells 1995, p. 32; Slapper 1999, p. 1,031).

The standard of proof required in a civil case is lower than that in a criminal one. In 1913, a British jury found White Star negligent for excessive speed in a compensation case and awarded the claimant, whose deceased son had been a third class passenger, £100. The Court of Appeal upheld this decision, leading White Star to settle the US cases out of court in 1916. The company agreed to pay a total of \$2,500,000, to be divided pro rata between the American claimants. The maximum sum was fixed at \$50,000 (approximately £10,417) for the death of a first class passenger and \$1,000 (approximately £208) for a migrant passenger (29 *Times* LR 629, 30 *Times* LR 302. Also see Gardiner and van der Vat 1995, p. 325; Davie 1986, pp. 184–5). The inequalities of class were not unique to Britain.

Thus in contrast to the Mersey report, the settlement of compensation claims entailed placing the blame on White Star. Ismay's career was ruined by the *Titanic*, yet neither he, his employees nor his company suffered a criminal prosecution that would offer the justice sought by so many later disaster victims. Victims who receive financial compensation still often feel ill treated by the law. They seek not revenge or money but justice.

OF MYSTERY SHIPS AND SCAPEGOATS

Both the Mersey report and US inquiry offered an alternative culprit to Captain Smith, White Star and the Board of Trade: a mysterious ship seen

by passengers and crew on the *Titanic* to whose assistance it never came. The controversy over the role of the *Californian* has raged ever since (see Billnitzer, no date).

The *Californian* was a British cargo steamer which was immobile in field ice at the time of the disaster. Shortly before the disaster, her wireless officer radioed the *Titanic* to report that she was stopped and surrounded by ice. The *Titanic*'s operator responded 'Keep out' [i.e., go off air] because *Titanic* was trying to send messages to a remote shore station. The *Californian*'s sole wireless officer then went to bed. (The Board of Trade had not yet issued any regulations to govern the new technology of wireless telegraphy.) Later that night her crew saw eight flares from a distant vessel. Captain Lord of the *Californian* said that he believed it was a vessel of about the size of his own, namely 6,223 tons. When the vessel's lights disappeared, the crew of the *Californian* assumed that she had steamed out of sight. The *Californian* recorded her position as 19 miles away from the *Titanic* at the time of the disaster. Mersey was 'satisfied that this position is not accurate'; concluded that she was only eight to ten miles away, and that if she had gone to the scene, the *Californian* 'might have saved many if not all of the lives that were lost' (Mersey 1912, ch. 5, quoted at pp. 43, 46).

There is a crucial ambiguity in that final sentence. 'Many if not all' has two opposite meanings: 'many, but not all', and 'many, and perhaps all'. Did Mersey really mean to say that if the *Californian* had reached the scene before the *Titanic* went down, she might have saved the lives of *all* of those on board? Sir Alfred Chalmers, former Nautical Advisor to the Board of Trade, wrote a long self-justifying memorandum after the Mersey report was published. For the most part, he replied to Mersey's criticism of him by attacking the report. But, on the *Californian*, he concurred with the report, saying 'Had it not been for the inexplicable misapprehension or apathy of the Officers of that vessel an effective rescue of all would have been possible within an hour or so of the mishap' (PRO MT 9/920/425).

However, this is wildly implausible, given that there were 1,178 boat places for a complement of 2,201, that the *Titanic* had stated her position incorrectly, and that the upper decks of the *Titanic* were 60 feet above the sea. It was, to say the least, careless of Lord Mersey to use the casual and ambiguous phrase 'many if not all' at the end of the chapter on the *Californian*. For the rest of his life, the Master of the *Californian* struggled to clear his name, asserting that he had given his correct position. There are other candidates for the 'mystery ship' seen by *Titanic* survivors. There was evidence available to Mersey, and some more which arrived soon after his report was published, to show that a Canadian passenger steamer, the *Mount Temple*, was as plausible a candidate as the *Californian* for having been the 'ship which stood still'.

Two attempts to reopen the case in the 1950s came to nothing. However, in 1985, the wreck of the *Titanic* was found, about 13 miles away from the position that the Mersey report believed her to have sunk. This of course

reopened doubts about the relative positions of *Titanic* and *Californian*. In 1990, the Secretary of State for Transport finally requested a 'reappraisal of the evidence relating to SS *Californian*'. The Department of Transport's Marine Accident Investigation Branch (MAIB) first commissioned a report from an independent expert. However, the Branch disagreed with some of the expert's conclusions, and its report contains both sets of contradictory conclusions (Department of Transport 1992). The two ships were either about eight miles apart (as found in 1912, and by the outside investigator), or about 18 miles apart (as found by MAIB). The ship seen by the *Californian* either was or was not the *Titanic*. If it was, it was possibly as a result of super-refraction associated with temperature inversion, which may allow objects below the visible horizon to be seen. The difficulty for the 1912 inquiry and the 1992 independent inspector is that the crew of the *Californian* had a ship in view from about 23.00 until about 02.00 ship's time. Survivors from the *Titanic* reported a ship in view from about 00.30 ship's time until the *Titanic* sank at about 02.30. (Fleet, the lookout, first saw a light on port bow at about 1 am, He saw nothing while on duty up to midnight. Wreck Commissioner's Court 1912, part 4, day 15, pp. 390-1, qq. 17,428-35.) Ship's time, in 1912, was set by solar observation at noon each day, therefore it could vary significantly between ships. However, the *Titanic* and the *Californian* had been sailing in the same direction and on similar headings, so their times differed by only about ten minutes. Therefore, if the *Californian* saw the *Titanic* only about five miles away from at least the moment of impact, why on earth did nobody on *Titanic*, including crew who would have been desperately scanning the horizon for any other vessel, report seeing another ship until about 00.30? The *Californian* undoubtedly did see the *Titanic*'s distress rockets and should have gone to help. But the 1992 inquiry's most important finding is this: *Even if the Californian had gone to help as soon as she had confirmed the sight of distress rockets, she would not have reached the scene until about the same time as the actual rescuing ship, about two hours after the sinking.* The Mersey report's conclusion that 'many if not all' lives would have been saved is therefore wrong on either reading of its meaning.

On the twenty-fourth day of the hearings, the Attorney General, Sir Rufus Isaacs, suggested that the questions under consideration should be amended so as to consider directly the role of the *Californian* (Wreck Commissioner's Court 1912, part 6, day 24, p. 611, speech by Isaacs: '[T]he only question which should be added is one relating to what I may call compendiously the *Californian* incident. There is no question in the twenty-six before you which would cover that... [I]t is important that the question should be specifically put'.) Mersey accepted the suggestion and the following was inserted into question 24 of the inquiry's remit: 'What vessels had the opportunity of rendering assistance to the "*Titanic*" and, if any, how was it that assistance did not reach the "*Titanic*" before the ss. "*Carpathia*" arrived?' In making this suggestion the Attorney General was creating a

situation where the *Californian* (and only the *Californian*) could be directly criticized for the loss of life. Yet its captain had already given evidence and was thus unable to answer the subsequent allegations. Although a formal investigation is not a court, the procedure of inserting the question after the witness had been heard was so irregular that had it occurred more recently Captain Lord would have won a judicial review of the reasonableness of the investigation.

Sir Rufus Isaacs had an agenda as a member of the government and another one as a private citizen. Neither served the public interest. As a member of the government, he had an interest in deflecting blame from the Board of Trade, or any other arm of the UK government, to any convenient scapegoat. The *Californian* had already been so identified in the US inquiry. Lord Mersey was willing to go along with the extraordinary procedural device of adding a question after the material witness had already been heard, because the transcript shows that he, too, had convinced himself of Lord's guilt (Wreck Commissioner's Court 1912, part 6, day 24, p. 611, comments by Commissioner). As a private citizen, Isaacs held a large block of shares in the American Marconi Company, whose shares would become more valuable, the more he was able to show that Marconi wireless had saved lives, and its extension would save more. Hence, whereas the American inquiry had questioned Guglielmo Marconi very sharply over his role in restricting information from the disaster in order to maximize his employees' windfall profits, Isaacs asked Marconi only a sequence of respectful questions (Kuntz 1998, pp. 243–9 (Day 6); Wreck Commissioner's Court 1912, part 7, day 26, qq. 24,850–956, pp. 671–5, day 26).

In contrast to the treatment handed out to the *Californian*, the *Mount Temple*, another ship closer to the *Titanic* than the rescuing ship, the *Carpathia*, escaped censure. A sworn affidavit by one of its passengers to the US inquiry claimed that

[S]everal of the stewards and passengers ... informed him that word had been received by wireless from the *Titanic* that the *Titanic* had struck an iceberg and was calling for help. Orders were immediately given and the *Mount Temple* course changed, heading straight for the *Titanic*. About 3 o'clock New York time, 2 o'clock ship time, the *Titanic* was sighted by some of the officers and crew; as soon as the *Titanic* was seen all lights on the *Mount Temple* were put out and the engines stopped and the boat lay dead for about two hours ... (Affidavit by Dr F. C. Quitzrau presented to the US Senate inquiry, appended to evidence, Day 14, as quoted in Billnitzer, no date).

This document was in print before Mersey reported. The chairman of the US Senate inquiry had rejected the evidence because the author did not see the *Titanic's* lights himself and because of the discrepancies in the times it reported (Wade 1979, p. 228; Billnitzer, no date).

Although the case for the *Mount Temple* being the mystery ship was far

from conclusive, the Mersey inquiry chose not to pursue it. The evidence was not even put to the *Mount Temple's* captain at the UK inquiry, although he was confused over his ship's position at the time of the disaster. Instead the inquiry argued that if anyone on board the *Mount Temple* had evidence they thought important then they ought to have volunteered to come forward as a witness. As the *Mount Temple* was a Canadian ship, most or all possible witnesses were in North America, and would have had to come to London, probably at their own expense. Also, given the possible occupational problems for whistleblowers, such a course of action was unlikely. With the *Californian* already in place as a scapegoat, Isaacs did not need another.

In August 1912 Captain Lord's trade union sent another piece of *Mount Temple* testimony to the Board of Trade. It is a letter to Lord from W.H. Baker, an officer on the *Mount Temple* immediately after the disaster. Baker wrote:

The officers and others told me what they had seen on the eventful night when the *Titanic* went down, and from what they said, they were ten to fourteen miles from her when they saw her signals. I gather from what was told me that the captain seemed afraid to go through the ice although it was not very thick. They told me that they not only saw her deck lights but several green lights between them and what they thought was the *Titanic*. ... The captain said at the Washington inquiry that he was forty-nine miles away but the officers state he was not more than fourteen miles off. I must tell you these men were fearfully indignant that they were not called upon to give evidence at the time, for they were greatly incensed at the captain's behaviour in the matter (W. H. Baker to S. Lord, August 1912. PRO MT 9/920F, as quoted by Gardiner and van der Vat 1995. pp. 180-1).

Despite this new evidence being made available to the Board of Trade immediately, it was another eighty years before the *Californian's* case was reopened. Even then, the Department of Transport inquiry did not investigate the position of other ships, and makes no mention of either of these documents (Department of Transport 1992).

CULPABLE PARTNERS: THE BOARD OF TRADE AND THE SHIPPING INDUSTRY

Neither the real nor the alleged failings of the *Californian* exonerate the Board of Trade or the industry. The Board of Trade's questions for the inquiry gave Mersey only a small opportunity to implicate the Board itself directly (Q. 26) and no opportunity to implicate the industry as a whole. Mersey nevertheless did investigate the Board's inaction. He found four reasons why the rules had not been changed to require boat places for all on board. One was sheer inertia: the Board had not got around to consulting on new regulations until 1911, although the vastly increased size of ships

since the regulations were drafted in 1894 was common knowledge. ('I thought it was neither right nor the duty of a State Department to impose regulations on that mode of travel as long as the record was a clean one' (Sir Alfred Chalmers, quoted in Mersey 1912, p. 49.)) The second was that the industry had designated Atlantic shipping lanes for each direction, hoping that vessels would be close enough to go to one another's rescue in the event of trouble. This consideration made the role of the *Californian* important in the question of the Board of Trade's responsibility, and should have led Mersey to investigate the *Mount Temple* and other ships. (But to designate lanes without either making rules to ensure that all ships had 24-hour wireless cover, or that distress rockets were a different colour to other signals, turned out to be fatally complacent). The third was that the industry had objected to putting more boats on large ships, on the grounds that they were not prepared to take on extra crew to operate them. (In the light of the total crew complements of the day, this seems an oddly inflexible position.) Fourthly, the experts believed that the bulkhead and double hull layout of a ship such as the *Titanic* made her unsinkable 'so ... that in the event of a disaster she would be her own lifeboat' (Mr Archer, Principal Ship Surveyor, Board of Trade, in Mersey 1912, p. 50). Yet even after taking all this into account, Mersey failed to place a share of the blame firmly upon the Board of Trade. He concluded that, even had the boat regulations been updated, it was doubtful whether more lives would have been saved since the Board would probably not have demanded more boats than were actually carried. Although Mersey reasoned this was no excuse for the delay, he still did not condemn the Board for its failure to foresee the shortcomings in regulation.

After the disaster, officials at the Board of Trade quickly realized that the lifeboat regulations were in need of updating and could leave them open to criticism. The Board's solicitors' department wrote:

I consider it necessary that our Counsel should have a lucid explanation of the reasons why these Rules more especially as regards boat accommodation were not altered from 1894 until now ... It does not seem to me to be sufficient to say that a system has been adhered to; what the Court will want to know is why it was adhered to and whether it ought to be adhered to? (BoT Memo, 6 May 1912. PRO MT 9/920 B)

Thus the Board happily latched on to a letter it received from Professor J. H. Biles of Glasgow University that put the blame firmly on design defects relating to the ship's bulkheads (PRO MT 9/920 B, 21 April 1912). A committee partly composed of external experts had drawn up bulkhead regulations, thus spreading any blame. Biles was consequently appointed by the Home Office as one of the Court of Inquiry's assessors. Given how his views on the disaster benefited the Board of Trade, it is likely that someone at the Board influenced the appointment. Mersey's final recommen-

dations regarding bulkheads were essentially the same as those made by Biles in his initial letter (Davie 1986, p. 180).

Chalmers, in his defence of the Board and himself, argued that more boats would not have saved more lives because there would not have been the time or crew to fill and man them. The existing lifeboats were, after all, not filled to capacity, despite the calm sea. The disorganization in the filling of the lifeboats that was identified by the US inquiry cast doubts on this claim. The problems in evacuating the ship can also be related to regulatory failure by the Board of Trade. The Board's assessor in Southampton claimed that White Star firemen (but not those of other companies) had been unwilling to take part in evacuation drill practice during its inspection of a ship. He admitted that he felt that this was unsatisfactory before the sinking but had allowed it because it was the custom (Wreck Commissioner's Court 1912, part 7, day 25, pp. 640–1, qq. 24,155–74).

The comments of the Board of Trade official at Southampton who had passed the *Titanic* fit to sail reveal further failings in the Board's regulation:

[I]t is not all uncommon recurrence to find at our Emigration Clearances ABs' [able seamen] wholly incompetent to row in even a moderate weather and sea, but (prior to loss of *Titanic*) to reject such men on the score that they cannot handle an oar would I most respectfully suggest have annoyed the Shipowner and perhaps led to litigation [*sic*] (M. H. Clarke (BoT surveyor's office, Southampton) to Assistant Secretary, Marine Dept, BoT, 12 May 1912. PRO MT 15/142).

Chalmers argued that Mersey and his committee appeared to have 'surrendered their common sense and experience to the hysterical panic of a public, notoriously impatient of endurance and hardship, and childishly timorous in matters involving the slightest of risk to life'. Chalmers' dismissal of the Mersey report and the comments of the Southampton surveyor betray the matter at the heart of the Board's regulatory failure. It felt it had a monopoly of wisdom over what constituted reasonable practice and was reluctant to listen to external opinions outside a small policy network. Its priorities were to the shipping industry rather than the safety of the public.

I wish to say that the Board of Trade has got many eyes and many ears, but it does not seem to have any brains' said the Counsel for the third class passengers in his summing up (W. D. Harbinson, Wreck Commissioner's Court 1912, day 29, part 8, p. 738). The deepest failures identified in the report are, as so often in disaster inquiries, failures of imagination. Ship designers, operators and regulators had never conceived of such a thing happening. The *Titanic* was believed to be able to act as her own lifeboat because her design of bulkheads and watertight doors was expected to survive any holing. In the event, Mersey concluded, 'The *Titanic* as constructed could not have remained afloat long with such damage as she received' (Mersey 1912, p. 34). But he attaches no blame to her designers or builders,

presumably because everybody thought the same, and everybody was wrong.

If the British inquiry was flawed because of its relationship with the Board of Trade, what about the US Senate inquiry? It was inspired and chaired by Sen. William Alden Smith, a populist and isolationist Republican from Michigan. Mid-western populists and Progressives were the bitterest opponents of what they called 'trusts', that is, industrial cartels. Over and above the human tragedy, Smith saw his inquiry as an opportunity to attack the Anglo-American shipping trust that owned White Star and other lines. Ismay and members of the crew were detained leaving them no option but to co-operate. Ismay had planned to sail straight back to the UK after arriving in the USA aboard the *Carpathia*, the ship which picked up the *Titanic* survivors. However, his wireless messages were intercepted by the US Navy and, upon arriving in the States, he was visited by Smith leaving him little choice but to stay and co-operate. Ismay's desire to make a quick getaway has fuelled speculation over his blameworthiness in the disaster.

There was immediate concern within the British government regarding the US inquiry. Did it have the authority to inquire into the loss of a British ship? Were British subjects being held against their will? Would it impinge on the Board of Trade inquiry? Was Smith (who was, in the opinion of the British Ambassador, 'a person always anxious to put himself forward where any passing notoriety can be achieved.') suitable to head the inquiry? Such questions dominated communications between the British Embassy in Washington and the Foreign Office on the disaster (see PRO FO 115/1710 & FO 369/522. Quote from British Ambassador to Foreign Secretary, 19 April 1912, FO 115/1710. Also see Davie 1986, pp. 155–7). Nonetheless, the US inquiry proceeded without British interference. James Bryce, the British Ambassador in Washington, believed that the 'conduct of the enquiry is so incompetent that they may before long discredit themselves and public interest may subside' (22 April 1912, PRO FO 115/1710).

The final report criticized the Captain's indifference to the possible danger of ice, the organization of the escape in lifeboats, and the inaction of the *Californian*. It concluded that Ismay's presence had subconsciously encouraged the Captain's excessive speed (US Congress 1912). Thus the report was notably harsher than the British inquiry it preceded. The criticisms were directed at the shipping industry but the Board of Trade's role did not go unnoticed. In his speech accompanying the report, Smith said 'we shall leave to the honest judgement of England its painstaking chastisement of the Board of Trade to whose laxity of regulation and hasty inspection the world is largely indebted for this awful fatality' (Reported in letter from British Embassy, Washington to Foreign Secretary, 12 May 1912, PRO FO 369/522).

But, like Lord Mersey and Sir Rufus Isaacs, Senator Smith had an agenda. The Populist movement tended to be anti-British, responding to the views of the waves of emigrants who had no reason to love the British (many of

the emigrant victims of the disaster were Irish or Scandinavian). Although not as outspoken as the US popular press (one New York paper headlined a story 'J. Brute Ismay' in large letters), Smith was able to find plenty of evidence to confirm the Populist conception of Britain as stuffy, arrogant, and class bound. Like Mersey, Smith made a scapegoat of Captain Lord of the *Californian*. This entailed ignoring the *Mount Temple* affidavit, although it was read into the record. The Canadian master of the *Mount Temple* was heard respectfully at both inquiries and faced no hostile questions. Could it be that nobody hated the Canadians?

Although information uncovered by the US inquiry could not be ignored by the British inquiry, the Mersey report never provided Senator Smith's 'chastisement'. C. H. Lightoller, the second officer on the *Titanic* and the most senior officer to survive the disaster, freely confessed in 1935 that he saw his role at the Mersey inquiry as being to defend White Star against various accusations, some of them justified (for which, he said, he got no thanks from the management).

A washing of dirty linen would help no one. The BOT had passed that ship as in all respects fit for sea, in every sense of the word, with sufficient margin of safety for everyone on board. Now the BOT was holding an enquiry into the loss of that ship – hence the whitewash brush. Personally I had no desire that blame should be attributed either to the BOT or the White Star Line, though in all conscience it was a difficult task, when handled by some of the cleverest legal minds in England, striving tooth and nail to prove the inadequacy here, the lack, there, when one had known, full well, and for many years, the ever present possibility of such a disaster. I think in the end the BOT and the White Star Line won (Lightoller 1935, p. 257).

Mersey, a conscientious man, may not have viewed his report as a whitewash but it is difficult not to consider it, at least partly, in such a light.

Prime Minister Asquith said, in reply to a parliamentary question, that it was an insult to Mersey to suggest that he might be influenced by the Board (*Hansard* 37; col. 2060), but nonetheless the inquiry was operating within terms laid down by the Board itself. The emphasis of the final report was therefore never clearly on the shortcomings of the Board's regulation. Nor was Mersey himself perhaps as independent as Asquith claimed. Although there is no evidence of collusion with the Board of Trade or fabrication or suppression of information, Mersey was connected with those he was investigating through his work on shipping business and maritime law (Davie 1986, pp. 183–4). The case thus illustrates the importance of a thoroughly independent inquiry. This lesson has not necessarily been learnt. Police forces are responsible for investigating the alleged criminal failures of their peers. Consequently, after the Hillsborough disaster there were serious concerns over the failure to institute criminal proceedings (Scruton 1999).

Of the two Parliamentary debates on the *Titanic*, the first – held before Mersey had reported – was the more enlightening. An MP with mercantile marine experience pointed out that if the sea had not been flat calm, the death toll would have been far higher. If the ship had been rolling, boats launched from high above sea level would have been dashed against the side and destroyed. If she had been listing, none of the boats on the side opposite to the list could have been launched (*Hansard* 38, col. 1782, speech of Mr G. Terrell). These points (shown again many times since, most recently with the sinking of the *Herald of Free Enterprise*) prove that boats for all are not a sufficient safety precaution. They do not disprove that they are a necessary one. However, the first four speakers in the October debate were all from the shipping industry. They spoke, not on the Mersey report which was the nominal topic of the debate, but on a White Paper that Buxton had introduced after the disaster in order to tighten the regulations. The debate was opened by Leslie Scott (U., Liverpool Exchange), who announced that he spoke ‘in a representative capacity on behalf of the whole shipping industry’, including the Merchant Shipping Advisory Committee of the Board of Trade. As that committee was a prime culprit for complicity in the disaster (see Mersey 1912, pp. 49–60), the industry was effectively getting its retaliation in first. The second speaker, (Richard Holt, Lib., Hexham; partner in Alfred Holt & Co., shipowners) described “‘boats for all” [as] one of the most ridiculous proposals ever put forward’. Several speakers complained that if British ships were subject to tighter regulation, this would merely give a trading advantage to foreigners.

The industry arguments were weak. The Navy had, at least theoretically, provided boats for all for thirty years. British regulations could be imposed on foreign vessels by being applied to any vessel that docked in a UK port. This had happened with the Plimsoll line regulations. ‘We remember well the Plimsoll load line and its prejudicial effect on our mercantile marine’, said the retired admiral Lord Charles Beresford (U., Portsmouth) in the first debate, before spoiling his case by pointing out that the Plimsoll regulations had been enforced on foreign ships in just that way (*Hansard* 38, col. 1765). Holt’s call for the industry to be allowed to regulate itself was derided by non-industry speakers. And the patriotic argument for protecting British ships ignored the reality that much of the Anglo-American trade belonged to a UK-US cartel, which owned both the White Star Line, owners of the *Titanic*, and the Leyland Line, owners of the *Californian*.

However weak these arguments, they served the purpose of using up debating time. By the time the Radical Liberal W. M. R. Pringle got up to complain that the debate up to then had been hijacked by representatives of the shipping industry, the time available for debate was half gone. The debate petered out without a vote. No identifiable individuals, except the crew of the *Californian*, were held responsible for the *Titanic* disaster (*Hansard* 42, cols. 32–103, quoted at cols. 32, 61). Buxton got the industry to agree to put lifeboats for all on their ships, but they unrepentantly

blocked any suggestion that they were to blame. Joseph Martin's implication that all would have been well if regulation had been on a business basis is 180 degrees from the truth. On the evidence of the parliamentary debates, so is the suggestion, made by many people at the time, that there should have been a parliamentary inquiry instead of one reporting to the Board of Trade. As after the report of the Aberfan disaster tribunal 55 years later, neither Parliament nor the industry protected the public (McLean 1997).

Indeed, 'the public', even in the shape of *Titanic* passengers and victims' relatives, had difficulty in letting themselves be heard at all. Lord Mersey initially admitted only counsel for White Star, for the National Sailors' and Firemens' Union, and for the Chamber of Shipping of the United Kingdom. He sought, and got, the approval of the Attorney-General (Isaacs) and of counsel for White Star to admit the union and the trade association, and to exclude other parties (Wreck Commissioner's Court 1912, part 1, day 1, pp. 7-8). On the fourth day, with a bad grace, he admitted counsel for the third-class passengers as a group, while insisting that the inquiry was not a court, and that therefore he would not hear allegations of manslaughter in cases where individuals had apparently obstructed victims (Wreck Commissioner's Court 1912, part 2, day 3, pp. 30-1; day 4, pp. 58-9). Only gradually during the hearings did counsel for other parties, including other unions and the owners of the *Californian*, appear. Lord Mersey and Rufus Isaacs took a very corporatist view of who should have the right to ask questions. Mersey treated a request by frequent transatlantic passengers to be represented as 'one of the strangest' he had heard (Wreck Commissioners 1912, part 2, day 3, p. 46).

CONCLUSION: THE LEGACY OF THE *TITANIC*

In 1993, Neil Hamilton MP (Parliamentary Under-Secretary of State, DTI) alleged that 'Our response to recent large scale disasters has been out of all proportion to the disasters themselves.' He was referring to the cost of the regulations implemented after tragedies such as the King's Cross fire (1987) and the sinking of the *Marchioness*. Hamilton saw disasters as exceptions that did not warrant regulatory responses that would unduly burden industry. Speakers representing the shipping industry in the parliamentary *Titanic* debates would have agreed with his assertion that 'we have to ask ourselves whether the costs of regulation are proportionate to the risk. After all risk is an essential part of life' (Hamilton quoted in Woolfson and Beck 1996, p. 195).

Risk may be part of life but that hardly excuses failures on the part of regulatory bodies to minimize it. Regulation of industry in twentieth century Britain has too often been primarily concerned with the interests of the regulated rather than of the consumer. The litany of disasters from the *Titanic* to Aberfan through to the cluster of tragedies in the 1980s is evidence of the catastrophic consequences for the public. That no one was held

responsible, beyond compensation payments, for the loss of the *Titanic* was not unique. Whether because of the shortcomings of the inquiry process or those of criminal law, corporations and individuals responsible for disasters too often escape uncensored.

The two inquiries into the *Titanic* produced different conclusions illustrating that government and independent inquiry processes are neither perfect nor conclusive. This is a trait that has been repeated at more recent UK disasters. Official inquiries, inquests and criminal trials into the same event can all produce different conclusions. Interpretations of the causes of, and responsibility for, disaster vary according to the different remits and priorities of the investigators. The argument for a single, independent inquiry process into the circumstances of a disaster and that decides liability and responsibility is strong (see, for example, Napier 1990).

Our findings are entirely consistent with those of others who have looked at policy disasters and/or at regulatory failure. Gregory, applying the framework developed by Bovens and 'tHart to the 1995 Cave Creek disaster in New Zealand, shows that neither 'forward mapping' (from policy making to implementation to disaster) nor 'backward mapping' (in the opposite direction) permitted an appropriate assignment of blame in that case (Bovens and 'tHart 1996; Gregory 1998). There is a huge literature, mostly from economics, on regulatory failure. Briefly, economists expect regulators to operate in the interests of the regulated industry, rather than in the public interest when that can be identified. In earlier work, we and others have shown that UK industry regulation in the nineteenth century fell into this trap, despite the stalwart attempts of W. E. Gladstone to keep railway regulation out of the hands of the railway industry (Parris 1965; McLean and Foster 1992; Foster 1992, pp. 15–69). Regulation by Parliament does not seem to work either. Parliamentary debates are typically captured by the producer interest in question. As well as with the *Titanic*, this happened after Aberfan (McLean 1997) and in the 1844 debates about Gladstone's proposals for railway regulation (McLean and Foster 1992).

There is a lively debate between the merits of self-regulation and those of regulation by government agency. Our case (like those highlighted by Woolfson *et al.* (1996), Gregory, and numerous other writers) displays the special problems of self-regulation by a government agency. The Board of Trade was all but judge in its own case. Sir Rufus Isaacs and his team were described not as 'counsel for the Inquiry' but as 'counsel on behalf of the Board of Trade' (Wreck Commissioner's Court 1912, part 1, day 1, p.1). At many points he ran the inquiry, dragging a complaisant Lord Mersey along with him. Small wonder that the Board of Trade escaped lightly.

Corporatism is often assumed to postdate 1945. It does not. The British *Titanic* inquiry began as a private network with only two nodes - the government (Rufus Isaacs), and capital, in the shape of White Star. Both had strong motives for directing the inquiry away from their own culpability. A third node was added when one (but only one) of the trade unions whose

members had been aboard was let into the inquiry. This was classic tripartite corporatism involving government, suppliers of capital and suppliers of labour. The huge public interest in the disaster, and the non-corporatist American inquiry, forced the doors wider open, but Lord Mersey was very reluctant to let consumer interests be involved in the inquiry. Representatives of the dead passengers were allowed in on sufferance. Representatives of regular travellers were not admitted.

Our case thus supports the Chicago prediction of regulatory capture. The Board of Trade was captured by the shipping industry. Parliament was no check, because in 1912 it, too, was captured by the shipping industry. The most relevant minister (Isaacs, not Buxton, because Buxton commissioned the inquiry, but Isaacs ran it) was captured by the wireless industry. But the most sophisticated Chicago story, namely Peltzman's (1976), is less deterministic. Politicians maximize their political support function. Sometimes there is political support for more rigorous safety regulation. In 1876, there was, because of the political entrepreneurship of Samuel Plimsoll. His vociferous attacks on the industry for sending seamen to their deaths in 'coffin ships' mobilized a coalition for safety. Plimsoll left Parliament in 1880 and was not replaced as a consumer advocate. Many of the victims of the *Titanic* were not British. Neither rich Americans nor poor European migrants were represented in the House of Commons. Although Irish Nationalist MPs drew attention to the (allegedly) lower survival rate of Irish than of British passengers, the Nationalists were too isolated in the Parliament of 1910 to form the basis of a support coalition. Seamen and firemen were unskilled casual labourers, paid by the voyage and hard to unionize, and very unpopular with both Conservative and Liberal politicians in 1912 because of the strike wave that peaked in that year. No political entrepreneur, therefore, came forward in 1912 to create a political support coalition for the *Titanic* victims or travellers more generally.

Too often the shortcomings of regulation are only exposed after something has gone wrong. That a shortage of lifeboats had never proved fatal before was not a basis for not supplying boats for all. Nor is it enough to take the findings of inquiries at face value. Flaws and bias are all too common for an unequivocal acceptance of the inquiry recommendations. What is needed is a more imaginative approach that seeks to identify other possible areas which are insufficiently regulated. This may lead to an overcautious and expensive approach, or indeed 'regulation run mad', but that has to be balanced against the human cost of failure. Regulation cannot stop human negligence or folly but it can at least draw attention to possible fatal dangers. Yet even then rules are sometimes not enough. Risk is partly a social construction. There needs to be a commitment to compliance that does not allow safety regulations to be subsumed beneath the pressures of daily operation and profit seeking (see Hynes and Prasad 1997). There needs to be a culture of safety in which regulation is internalized – those

affected, whether managers or employees have to believe in the rules that they have to obey.

Thus the legacy of the *Titanic* may have been boats for all (and the International Ice Patrol), but it should have been more than that. Shutting the stable door after the horse has bolted may prevent the next horse escaping but in all likelihood the next disaster will be something different. Disasters are rarely exact repeats of past events and if they are to be learnt from, and thus forecast and averted, then wider lessons need to be drawn that are applicable to other industries. Addressing the specific problem that caused past tragedies is not enough; cultural readjustments are required (Turner 1978). Rules will not be internalized until those subject to them see the risk as real. After the loss of the *Titanic*, the lessons regarding the Board of Trade's inappropriate regulatory priorities before and after the disaster went largely unheeded: the captive regulator had failed the consumer.

ACKNOWLEDGEMENT

This article is part of an ESRC-funded project (grant R000222677) into responses to Aberfan and other UK disasters. This grant is gratefully acknowledged as are the comments of Dave Billnitzer and the journal's anonymous referees.

REFERENCES

- Ballard, R.D. *et al.* 1995. *The discovery of the Titanic*. London: Orion, updated edition
- Billnitzer, D. no date *The Titanic and the mystery ship* home earthlink net/~huker1217/titanic.html
- Bovens, M. and P. 't Hart 1996 *Understanding policy fiascoes* London: Transaction Publishers
- Breyer, S. and P.W. MacAvoy 1987. 'Regulation and deregulation' in J. Eatwell *et al.* (ed.), *The new Palgrave dictionary of economics*, vol. 4 London: Macmillan
- Davie, M. 1986 *The Titanic: the full story of tragedy* London: Bodley Head
- Davies, H.E. (chairman) 1967 *Report of the Tribunal appointed to inquire into the disaster at Aberfan on October 21st, 1966* HL 316 and HC 553 London: HMSO
- Department of Transport 1987 *MV Herald of Free Enterprise, Report of the Court, No 8074* London: HMSO
- Department of Transport (Marine Accident Investigation Branch) 1992 *RMS 'Titanic' Reappraisal of evidence relating to SS 'Californian'* London: HMSO
- Foster, C. 1992 *Privatization, public ownership and the regulation of natural monopoly* Oxford: Blackwell.
- Gardiner, R. and D. van der Vat. 1995 *The riddle of the Titanic* London: Weidenfeld and Nicolson
- Gregory, R. 1998 'Political responsibility for bureaucratic incompetence: tragedy at Cave Creek', *Public Administration* 76, 519–38
- Hynes, T. and P. Prasad 1997 'Patterns of 'mock bureaucracy' in mining disasters: an analysis of the Westray coal mine explosion', *Journal of Management Studies*, 34, 4, 601–23.
- Keeler, T.E. and S.E. Foreman 1998 'Regulation and deregulation' in P. Newman (ed.), *The new Palgrave dictionary of economics and the law*, vol. 3. London: Macmillan.
- Kuntz, T. (ed.). 1998. *The Titanic disaster hearings: the official transcripts of the 1912 Senate investigation* New York: Pocket Books.
- Lieven, M. 1994. *Senghennydd, the Universal Pit Village, 1890–1930*. Llandysul: Gomer.
- Lightoller, Comdr. 1935. *'Titanic' and other ships* London: I. Nicholson and Watson.
- McLean, I. 1997 'On moles and the habits of birds: the unpolitics of Aberfan', *20th Century British History* 8, 285–309
- McLean, I. and C. Foster 1992 'The political economy of regulation: interests, ideology, voters and the UK Regulation of Railways Act 1844', *Public Administration* 70, 313–31

- Mersey, Lord (chairman). 1912. *Report of a formal investigation into the circumstances attending the foundering on 15th April, 1912, of the British steamship Titanic, of Liverpool, after striking ice in or near Latitude 41° 46' N, Longitude 50° 14' W, North Atlantic Ocean, whereby loss of life ensued* Cd 6352. London: HMSO
- Napier, M. 1990. 'Zeebrugge: the way forward', *Law Society Gazette* 40, 7 (Nov)
- Parris, H. 1965. *Government and the railways in nineteenth Century Britain*. London: Routledge.
- Peltzman, S. 1976. 'Toward a more general theory of regulation', *Journal of Law and Economics* 19, 211-40
- Scruton, P. 1999. *Hillsborough: the truth*. Edinburgh: Mainstream
- Slapper, G. 1999. 'Corporate homicide and legal chaos', *New Law Journal*, 9 July.
- Stigler, G. 1971. 'The theory of economic regulation', *Bell Journal of Economics and Management Science* 2, 3-21.
- Taylor, Rt. Hon. Lord Justice. 1989. *The Hillsborough Stadium disaster, 15 April 1989: inquiry by the Rt Hon Lord Justice Taylor: interim report* Cm 765. London: HMSO
- Turner, B A. 1978. *Man-made disasters*. London: Wykeham
- US Congress, Senate. 1912. *Report of the Senate Committee on Commerce pursuant to S. Res. 283, Directing the Committee to Investigate the Causes of the Sinking of the "Titanic", with speeches by William Alden Smith and Isidor Rayne*. 62d Cong., 2d sess., 28 May 1912, S Rept. 806 (6127). Washington: Government Printing Office
- Wade, W C. 1979. *Titanic: end of a Dream*. London: Weidenfeld & Nicholson.
- Wells, C. 1995. *Negotiating tragedy: law and disasters*. London: Sweet & Maxwell
- Woolfson, C., J Foster, and M. Beck. 1996. *Paying for the piper: capital and labour in Britain's offshore oil industry*. London: Mansell.
- Woolfson, C. and M. Beck. 1996. 'Deregulation: the contemporary politics of health and safety', in A. McColgan (ed.), *The future of labour law*. London: Cassell
- Wreck Commissioner's Court. 1912. *Formal investigation into the Loss of the SS "Titanic"*. Minutes of evidence, ten parts, London: HMSO.

Date received 26 May 1999. Date accepted 9 July 1999.

Australian Journal of Public Administration

Published by Blackwell Publishers on behalf of the
Institute of Public Administration Australia

Edited by Glyn Davis and John Wanna

Aimed at a diverse readership, the *Australian Journal of Public Administration* is committed to the study and practice of public administration, public management and policy making. It encourages research, reflection and commentary amongst those interested in a range of public sector settings - federal, state, local and inter-governmental. The journal focuses on Australian concerns, but welcomes manuscripts relating to international developments of relevance to Australian experience.

Australian Journal of Public Administration ISSN: 0313-6647. Volume 59 (2000) contains 4 issues.

A library subscription to the print volume entitles readers to:

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk



108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

THE EMERGENCE OF MULTI-INSPECTORATE INSPECTIONS: 'GOING IT ALONE IS NOT AN OPTION'

ENID MORDAUNT

Drawing on data from HM Inspectorate of Prisons, HM Inspectorate of Probation, the Office for Standards in Education and the Social Services Inspectorate, this paper develops a typology of inspection, classified according to the focus of inspection. Five basic inspection types emerge, namely single institutional, multi-service, thematic, survey and monitoring review. The typology is further categorized by a range of characteristics, resulting in a series of variants. The paper then focuses on the particular characteristic of the multi-inspectorate approach to inspection, because this is seen to offer a significant development in inspection practice that is set to expand and develop in the future. By examining operational examples of this approach it becomes clear that inspectorates are affecting the working practices of one another as they use the multi-inspectorate approach as an exercise in benchmarking.

INTRODUCTION

Following in the tradition of Rhodes (1981), Day and Klein (1987, 1990) and Henkel (1991), the research on which this paper is based forms a comparative study of four English inspectorates (Mordaunt 1999), namely the Office for Standards in Education (OFSTED), HM Inspectorate of Prisons (HMI Prisons), HM Inspectorate of Probation (HMIP) and the Social Services Inspectorate (SSI). Of these inspectorates, OFSTED and HMI Prisons have the highest public profile: it is easy, therefore, to assume that since these particular inspectorates are most noted for carrying out single institutional inspections that public service inspection consists solely of that type. However, the research has shown that the range of inspection types is much greater; indicating that inspection is a multi-formed rather than a monolithic process of a single type. This paper develops this range of inspections into a typology, which not only crosses inspections but also inspectorates. The typology is categorized according to the focus of the inspection and then further developed by means of a range of characteristics. One such characteristic, that of the multi-inspectorate approach, is then considered in detail because it demonstrates a current development that is likely to have a great impact on inspection procedures in the future. Not only is this approach producing new inspection manuals (SSI and AC 1996; OHMCIS

Enid Mordaunt is a Research Fellow in the Department of Social Policy at the University of Edinburgh

and AC 1997) but it is also furthering the development of new styles of working as different inspectorates learn from the working practices and approaches of each other.

The four inspectorates do not always share the same terminology; so, throughout this paper the term 'inspection manual' is used when referring to what OFSTED would call a framework and the SSI a methodology. A manual sets out, with varying degrees of detail and regulatory specificity, the standards and criteria by which to gather evidence on which to base judgements. Each inspectorate has at least one generic manual (HMI Prisons 1996a; HMIP 1994, 1995; OFSTED 1995a/b/c; SSI 1996a/b/c/d/e/f). Inspections are carried out either according to these generic manuals or more specialized manuals (HMIP 1996; SSI 1996g), developed from the generic.

METHOD

This paper draws from 37 in-depth, semi-structured interviews with representatives from the four inspectorates including lay inspectors, visiting and seconded inspectors, tenured inspectors, Assistant and Deputy Chief Inspectors and the four Chief Inspectors. A wide range of documentary evidence from inspectorates was examined, including: inspection manuals (OFSTED 1995a/b/c); chief inspectors' annual reports (HMI Prisons 1996b); inspection reports (OFSTED 1995d); guidance to field practitioners (HMIP undated); literature related to Joint Reviews (eg. SSI and AC 1998); explanatory information (eg. CSCS *et al.* undated); and reviews of the work of inspectorates (Coopers and Lybrand 1994). Finally, ideas were drawn from more than twenty direct observation sessions as the courses of specific inspections from each of the inspectorates were followed.

RESULTS: A TYPOLOGY OF INSPECTIONS

Formerly, descriptions of inspection types have mainly focused on school inspections. Pearce (1986), for example, described the advisory and inspectorial functions of both national HMI and LEA inspectors, while reflecting the importance, at that time, of institutional self-assessment. Stillman and Grant (1989) described the work of LEA advisers, shedding light on the link between inspection and advisory functions. Wilcox (1992) classified school inspections into four categories, 'informal visits', 'full inspections', 'short secondary inspections' and 'surveys' (p.28). Maychell and Keys (1993) surveyed LEAs, indicating a range of inspection types in operation as the new OFSTED arrangements were beginning. It is an opportune time to develop further an inspection typology, because not only is OFSTED now well established but also, more generally, public service inspectorates hold a higher public profile than previously.

There are various ways in which a typology of inspection could be devised; for example, inspections could be categorized according to the style of working of the inspectorates, that is how far they operate in the

mode of 'command and control' (Grabosky and Braithwaite 1986; Hartley 1997 interview), so that the: '... most important general dimension which underpins the typology is the degree of emphasis on enforcement or punitiveness in regulatory strategy' (Grabosky and Braithwaite 1986, p. 226). This approach enables the authors to create seven categories to describe regulatory bodies, ranging from 'conciliators' to 'token enforcers'. These categories lead into a further way of developing a typology, that is by considering the 'relational distance' (Hood and Scott 1996) between the inspectorate and those inspected, that is: '... the view which regulated and regulator take of each other, and therefore how they deal with each other' (p. 335). This, the authors develop into 'ingroup' and 'outgroup' regulation, by which they mean whether the regulator is placed within or outwith the organization under inspection; a notion captured by the Citizen's Charter as it sought to introduce the 'experiential distance' (Mordaunt 1998) of lay inspectors.

In this paper the emphasis has been placed differently, so that the types have been categorized according to the focus of inspection; for example, whether it is a single institution such as a school or a range of services such as are found in a probation area. This approach was taken because it served to highlight the comparative nature of the research to greater effect by drawing out a wide range of operational examples from the four inspectorates. Table 1 sets out the typology of inspection with the five types of inspection appearing down the left hand-side of the table. These are the subject of the first section of this paper.

INSPECTION TYPES

1 Single institutional inspections

These are carried out by each inspectorate as they inspect individual prisons, remand centres, young offender institutions (YOIs), probation/bail hostels, schools, secure units or voluntary children's homes. Inspectorates have standardized the processes of such inspections, as the same generic manuals (HMI Prisons 1996a; OFSTED 1995a/b/c; SSI 1996d), possibly with minor modifications, are used for each institution countrywide. Similarly, the range of inspectors is standard, with team members normally having specified functions. Thus, over a period of time the processes of single-institutional inspections become streamlined.

Most OFSTED and HMI Prison inspections fall into this category. For OFSTED this constitutes a reversal of the work of former HMI, who carried out relatively few full school inspections in comparison with the number of schools. This inspection type is known in the SSI as the 'inescapables' because they occur regularly on a never-ending programme. Since the main focus of the probation service is the offender in the community, HMIP carry out few such inspections of probation/bail hostels.

TABLE 1 *A typology of inspections*

Inspections		Characteristics								
Inspection type		Inspectorate		Collection of evidence		Return inspection		Type of team	General description	
		announced	un-announced	fieldwork	desk exercise	follow-up	re-inspection			
1	Single institutional	All	HMI Prisons SSI	all	HMI Prisons OFSTED SSI	HMI Prisons OFSTED SSI	HMI Prisons OFSTED	All	SSI	A prison, a bail hostel, a school, a voluntary children's home. Each one is a stand-alone inspection resulting in a report on the institution. A range of service provision under one authority as in a probation area, a local education authority, a social services department, resulting in one report.
2	Multi-service	HMIP OFSTED SSI		HMIP OFSTED SSI	HMIP	HMIP		HMIP	OFSTED SSI	Nation-wide overview of a particular themed topic based on inspections of single services Individual reports stand-alone but also serve to inform a national overview report.
3	Thematic	HMI Prisons HMIP SSI		HMI Prisons HMIP SSI	HMI Prisons HMIP SSI	HMI Prisons HMIP SSI	HMI Prisons HMIP SSI	HMI Prisons HMIP SSI	HMI Prisons HMIP SSI	Use of either statistics taken from central data-base compiled from data contained in every institutional report or report based on fresh fieldwork A review to check the standards of independent inspections, ie an inspection of the inspectors
4	Survey	OFSTED SSI		OFSTED SSI	OFSTED	OFSTED		OFSTED SSI	OFSTED SSI	
5	Monitoring review	OFSTED		OFSTED	OFSTED	OFSTED		OFSTED		

Notes: *Visit* LMI Prisons – HM Inspectorate of Prisons; OFSTED = Office for Standards in Education

2 Multi-service inspections

These are carried out by HMIP when inspecting a probation area, OFSTED a local education authority and the SSI during a Joint Review of local authority social service departments (LASSDs). Such inspections are of a range of service provision offered by these multi-service providers or contractors, resulting in one report on the area, authority or department. For example, HMIP multi-service inspections form their Quality and Effectiveness programme, for which a generic manual (HMIP 1994) has been developed. This type of inspection constitutes a major commitment for HMIP, with teams of three to six inspectors and fieldwork engagements of up to six months. Occasionally, lead inspectors have recruited lay inspectors for part of the fieldwork. Since this type of inspection covers an entire probation area this often means a large geographic area and a wide range of service provision, from work in the courts to partnership schemes.

3 Thematic inspections

These offer nation-wide pictures of particular topics, such as the women's prison estate or services for people with a particular disability. They result from new fieldwork and are carried out by HMI Prisons, HMIP and the SSI. A pre-determined number of single service inspections is carried out, each resulting in a separate report. Based on that fieldwork, a national overview report is compiled, as a desk exercise (HMI Prisons 1997a, 1997b, HMIP 1997, SSI 1995, 1997b). Such reports can be very telling as they paint a picture of an aspect of service delivery in a national context: a picture that may not emerge from a set of single service reports when read separately. Thus, a thematic overview report is more than the sum of the separate reports on which it is based and from which it draws its data. As HM Chief Inspector (HMCI) of Prisons has indicated, an inspectorate is in a unique position to gain an 'insight into the wider workings [of a service and] ... is able to compare establishments, with similar roles, in different parts of England and Wales, in a way that is denied to any other organisation' (HMI Prisons 1997a, p. 1).

Such thematics form a major part of the work of both the SSI and HMIP and are conducted according to generic manuals (SSI 1996 a/b/c/d/e/f; HMIP 1995), which set the context for the conduct of the inspection as a whole. For HMI Prisons this approach, which began in 1996 (HMI Prisons 1996c), now forms an important and growing part of their total inspection work (HMI Prisons 1997a, p. 2). An extended team, often consisting of visiting inspectors, academic advisers and a variety of part-time consultants provides specific expertise, experience and knowledge.

Both HMIP and the SSI appoint a national lead inspector from within their inspectorates. For the larger SSI, the lead inspector often has experience of working in the relevant field. The smaller HMIP appoints an inspector who rapidly develops the required level of expertise in the topic of inspection. The national lead inspector devises the necessary specialized

manuals (HMIP 1996; SSI 1996g), from meetings built into the inspection procedure. Assisting in this process are contributors from the inspectorates along-side practitioners and experts from the field. Having trialed the manual, improvements are made by the lead inspector, in consultation with the inspection team, before its use in about seven other inspections.

4 Survey inspections

These are carried out by OFSTED and the SSI. Thematic and survey inspections are similar; the main distinction being that a survey consists of one report while a thematic report emerges from a number of single service reports. Even when a survey is based on fresh fieldwork, there is no equivalent of the lengthy process on which a thematic relies.

Surveys may be based on new fieldwork (OFSTED 1996b; SSI and OFSTED 1995), as when the SSI carried out a survey of all local authorities following the Utting Report (1997). The General National Vocational Qualifications survey carried out by OFSTED (OHMCIS 1993, 1994, 1996a, 1996b, 1997, 1998) adds a further dimension of longitudinal study to this type of inspection. Thus, surveys can be a national study over time as well as geographical area.

Equally, a survey can be a desk exercise, for example when OFSTED refers to the statistics taken from the central data-base compiled from data contained in every institutional report (OHMCIS 1995). OFSTED has established a unique database, having built on the developed tradition of HMI surveys (DES 1978, 1979) when school inspections were planned to produce statistically controlled samples and HMI: '... added to their normal inspection methods the use of systematic data-collection methods and data processing' (Pearce 1986, p. 141).

5 Monitoring reviews

This final type of inspection, is only carried out by OFSTED. HMCI OFSTED 'has a duty to establish and maintain a register of inspectors and to review the standards of independent inspections' (HMI Schools 1995, p. 2). To this end monitoring reviews are carried out, checking the standards of the work of Registered Inspectors (RgIs). Such inspections of inspectors are necessary because the vast majority of those carrying out school inspections are not direct employees of the parent body, OFSTED. Unlike the other inspectorates, OFSTED's HMIs do not carry out the majority of inspections themselves, but contract out to independent teams.

CHARACTERISTICS OF THE INSPECTION TYPES

Having considered the five inspection types noted in table 1, the characteristics of those types are now examined.

Announced/ unannounced inspections

The inspectorates each operate a programme of announced inspections. A service receives a letter outlining the intended inspection; the length of

warning varies from HMIP's two to three months for a thematic inspection to HMI Prisons' four to 16 months' notice.

HMI Prisons and the SSI both carry out unannounced inspections, normally of single institutions. They are shorter in duration than announced inspections, conducted by a small team normally without a lay member, or by a single inspector. Both inspectorates may respond to a complaint with an unannounced inspection, since it was considered to be a particularly suitable approach when the focus was basic practice.

HMI Prisons' follow-up inspections, noting progress, normally last two to three days, result in a published report (HMI Prisons 1998) and are normally unannounced. Similarly, the SSI's follow-up inspections, possibly lasting part of a day and possibly resulting in a check list published later with the next report, are also unannounced.

Neither OFSTED nor HMIP uses unannounced inspections. Historically, HMI (schools) practice had never encompassed unannounced visits; OFSTED follows the same tradition. This can lead to a conflict in working styles when OFSTED and the SSI, for example, carry out joint inspections of boarding schools. One OFSTED interviewee considered that were HMI (schools) to operate unannounced their professional standing and credibility would be jeopardized: 'We're not policemen regulating certain aspects; we are there to inspect what we find. We are not there to catch them out.' HMIP interviewees echoed these feelings; furthermore, they considered that unannounced visits have greatest impact when abuses of human rights are in question and, since there are relatively few such possible situations in the probation service, unannounced inspections were seen as an inefficient use of resources. It was felt that a main purpose of unannounced inspections was the element of surprise and to: '... create a degree of fear but whether that's actually constructive or productive is an interesting debate' (HMIP interviewee). HMI Prisons appear to make deliberate use of such 'fear', as one HMI Prisons interviewee indicated the inspectorate operates neither by persuasion nor by coercion: '... it's by humiliation, actually. The inspectorate now has a reputation for revealing it as it is in public. ... It's the threat of something appearing in public which is behind a lot of the anxiety which generates action.'

Fieldwork/desk exercise

All the inspection types depend, at some point, on the gathering of fieldwork, to produce evidence on which to base judgements. Fieldwork may be conducted first-hand as in single institutional inspections (OFSTED 1995d) or it may be placed into a database and used at a later stage in a desk exercise, as in some surveys (OHMCIS 1995).

Return inspection

There are two ways in which a return inspection is carried out, either as a follow-up or as a re-inspection. Used by each inspectorate and by far the

more common is the follow-up, which for the SSI, HMI Prisons and HMIP form progress checks. OFSTED's follow-ups are occasioned by schools giving particular cause for concern.

Both OFSTED and HMI Prisons use the second form of return, re-inspection. The severity of the return shifts up several notches, publicly signalling that the institution under inspection is failing badly. For OFSTED a re-inspection belongs to the procedures followed when a school is legally categorized as failing. HMI Prisons have used re-inspection on two occasions (HMP Holloway and HMYOI Glen Parva) when HMCI refused to complete an inspection until immediate remedial action had been effected.

Single/multi-inspectorate teams

While most inspections are carried out by a team from a single inspectorate, a growing number are undertaken by inspectorates working co-operatively. This multi-inspectorate approach has developed rapidly in the last four to five years, becoming one of the most significant of current developments.

A multi-inspectorate approach can take one of two forms; firstly, inspectorates formally co-operate, equally owning the inspection, devising a new manual and new inspection procedures to which everyone subscribes. The final report is signed by all as partners. Secondly, there is the more informal, hosted multi-inspectorate approach, where one inspectorate carries out its usual inspection, inviting representatives from other inspectorates to join. Team members operate by the host's inspection procedures, a final report being written by the host, acknowledging the presence and the contributions of the visiting inspectorates.

The case for co-operation was spelled out by the then Secretary of State for Health, Virginia Bottomley, who could have been writing of numerous services when, referring specifically to the role of the social services, commented: '... there is no public service where co-operation with other agencies is more important. Housing, health, education, the police, and the probation service are all essential partners. ... Going it alone is not an option' (DoH 1995, p. 1). This was an agenda which Hartley (1972) would have recognized, as he called for inspectorates to demonstrate more cohesion by re-organizing into three bodies: '... an Inspectorate of the Civil Service to co-ordinate internal inspectorates, an Inspectorate of Agencies, initially for local government, and an Inspectorate of Industry for all industrial and agricultural establishments' (p. 464).

Such thoughts were mirrored by the four chief inspectors who, twenty-five years after Hartley's reflections, were bringing about the co-ordinated approach he had envisaged by developing multi-inspectorate inspections. The secretary of state's quotation in the title of this paper draws attention to the context in which both services and inspectorates work; the message is that public services must work together to create a seamless service. In turn, inspectorates operating within such service provision must work across traditional boundaries. By co-operating with other inspectorates or

audit bodies they broaden the base from which they judge the public services. Multi-inspectorate inspection is an approach whose time has come. Having developed from within the inspectorates themselves, the approach now sits easily within New Labour's notion of 'joined-up' government.

THE MULTI-INSPECTORATE APPROACH

Let us consider some examples: a formal type of multi-inspectorate inspection is Joint Review carried out by the SSI and the Audit Commission (AC), offering a new approach to inspection with roots in both inspection and audit practices. This approach emerged from a ministerial initiative of the Cabinet Office Citizen's Charter Unit in 1991, based on the belief that all LASSDs would benefit from external reviews to make their services and administration more user-friendly.

To achieve this, Joint Reviews set out to explore the dual strands of quality and effectiveness of service provision along with financial efficiency. These strands were seen as inter-related 'because you can't move services on without freeing up resources or using resources more wisely' (Joint Review interviewee). Thus, the dual focuses of Joint Reviews are the service user and the community charge payer. Reviews begin with the experience of service users while finance is tracked from them: 'It starts with information and access. It starts ... before the front door ... with what do people know about social services? Is there information around when they need to get hold of it? When they do walk through the door what happens to them?' (Joint Review interviewee).

Joint Reviews pose three questions:

- are individuals well served?
- do authorities plan well for their communities' needs?
- are authorities getting the best value for money? (SSI and AC 1997, p. 1).

Another example of the formal approach was the joint inspection between HMI Prisons and HMIP of life sentence prisoners both in prison and on release (Home Office 1999). A new inspection manual was devised by the co-operating inspectorates working as equal partners. This inspection was significant because it highlighted a development expected to grow, perhaps resulting in a Joint Criminal Justice Inspectorate composed of seconded inspectors (interviewees; see also Home Office 1998). Both Joint Reviews and the possible Joint Criminal Justice Inspectorate exemplify Hartley's notion of the: '... clear need for some co-ordination and simplification in British central government inspectorates. ... Inspectorates are largely organised by function or activity, whilst they ought to be more organized or at least co-ordinated with respect to the types of institution with which they have to deal' (Hartley 1972, p. 464).

Not all such co-operative approaches are formally arranged between equal partners yet they can still fulfil Hartley's call for 'co-ordination with

respect to the types of institution'. In their hosted inspections of YOIs, HMI Prisons exemplify the second approach, having invited inspectors from HMIP, OFSTED and the SSI to join their team. HMI Prisons retained ownership of the inspections, the manual used and the reports. For HMCI of Prisons the multi-inspectorate approach perfectly suited the establishments under inspection:

A prison is a multi-disciplinary organisation; therefore, I should take in with me people from those disciplines like probation, like social services, like audit, like education. So that there's an holistic approach to it all and you're looking at the prison not just from the view of ex-prison service inspectors (HMCI of Prisons).

DISCUSSION

If either of these multi-inspectorate approaches is to prove successful then there are several issues warranting further consideration.

The pre-planning phase

The pre-planning stage of any type of multi-inspectorate inspection is crucial since it is a time for team members to begin to understand each other's working practices, dispel misconceptions, agree responsibilities and check that inspectors understand the details of the manual. The more formal the co-operation the more time is needed, not only to devise new systems, but also to allow a totally new culture to emerge. The project must be managed with tact and clarity since any new type of working can engender anxiety:

The Audit Commission, understandably, are jealous about their independence of government yet we have to report to ministers ... so there are all manner of difficulties. But you can either sit in the office and say it's all too difficult, and sometimes it is difficult, or you can say these difficulties are there to be overcome. And with goodwill, with flexible thinking, with people's willingness ... you know we can make this work (Chief Inspector SSI).

In the case of formal co-operation there could be initial delays as the necessary procedures are followed, for example clearing legal difficulties (HMSO 1996).

The level of preliminary organization for the second, less formal, hosted multi-inspectorate approach should not be underestimated; since the very informality of the approach could encourage inspectorates to begin before ground rules were agreed. Such planning and explanatory work needs to be organized by the host inspectorate for visiting inspectors; otherwise the latter may feel detached from a process involving a strange set of values and procedures, working along-side inspectors they do not know, a case of: '... turning up on Monday and off we go. ... I arrived, met the group and started. It was a baptism of fire' (visiting inspector). One visiting

inspector on a multi-inspectorate team felt that the inspectorates having agreed, at the highest level, to co-operate had left him to establish his own role and responsibilities. This caused some problems, partly because the inspectorates belonged to different government departments who had 'similar but not exactly coincidental views' on an issue pertinent to the inspection. Co-operative working meant that the host government department could not control information flow, which had led to two ministers from the two departments being in conflict. Further problems arose from the lack of briefing and debriefing, resulting in the visiting inspector lacking both a context within which to work and a basic understanding of the service under inspection.

The territory of the inspection process

When adopting a multi-inspectorate approach, using inspectors with different expectations and understandings of an inspection process, it is important that all parties map out the territory of that process, establishing shared understandings. During the initial stages of planning Joint Reviews, for example, both parties wanted 'the territory they were covering' (Joint Review interviewee) to be known and understood because there were 'so many different ways you ... [could] divide the territory'. One aspect of such territorial division explored was the conceptual context of the review; so the new body discussed the idea of making the process value-led. However, because values proved difficult 'to write up and tended towards vagueness' the idea was discarded. The manual (SSI and AC 1996) was finally written using 'the more neutral boxes' (interviewee) of eight core issues, as shown in table 2.

Developing an understanding of the territory is equally important during a hosted multi-inspectorate inspection. One visiting inspector had experienced no joint plan of action with the consequence that he felt he was interrupting the flow of interviews when asking his own questions in the presence of a host inspector. In multi-inspectorate inspections there also needs to be early agreement over the format of and the audience for the final report. In the case of the new Joint Reviews there was an opportunity to consider this, free from tradition. The review team identified a range of stakeholders who formed a potential audience, including elected members, officers of the authority, government ministers, service users, community charge payers and service providers. The extensiveness of this group highlighted the need to define with clarity who formed the audience(s) of the

TABLE 2 *The eight core issues of joint reviews*

1	Information and access	5	Meeting assessed needs
2	Referral and screening	6	Strategic planning
3	Assessment of needs	7	Resource management
4	Care planning and management	8	Change capacity

review. The range of stakeholders meant: 'It's been quite a challenge ... [creating] ... something, both conceptually and practically [and] ... achieving the right balance' (Joint Review interviewee). The greater the number of stakeholders in an inspection the greater the number of agendas are brought to bear. With the introduction of elected members as stakeholders, reviews have developed a political edge since elected members set local spending priorities and must justify decisions to their electorate. Multiple agendas inevitably lead to some being set aside for the sake of coherence; for example the ministerial requirement of the right to order a review was not granted because such orders would 'completely go against the developmental ethos' (ibid) of reviews.

Commitment of all personnel

All personnel involved in multi-inspectorate inspections must be committed to the approach. The four chief inspectors demonstrated an interest in multi-inspectorate styles of working, each having provided inspectors or having hosted such inspections. Most committed were the Chief Inspectors of Prisons, Probation and the SSI. The latter considered that, while some chief inspectors were more 'comfortable and enthusiastic about this way of working than others', the part played by multi-inspectorate inspections was of crucial importance:

It's a part of my belief that we shouldn't give messages out to other people that we don't give to ourselves. And it's no use in my view our talking out there about the need for multi-disciplinary, multi-agency work, seamless service etc and inspectorates operating in channels (Chief Inspector SSI).

As noted, HMCI of Prisons viewed prisons as multi-agency establishments needing an inspection team reflecting this. To that end, not only had he invited other inspectorates to work co-operatively but had also initiated a collaborative approach in some single institutional inspections by asking Boards of Visitors (BoVs) to take responsibility for sections of fieldwork during an inspection of their own establishments. Such collaboration is a significant development because BoVs act as local inspectors throughout the year. They are able to reflect on the day-to-day work of their prisons over time, carrying out fieldwork as small-scale longitudinal exercises before the inspection team begins their work. Thus BoVs offer an added dimension to data collection.

HMCI of Probation believed very strongly in the multi-inspectorate approach, so long as it served mutual interests and benefited all parties. He demonstrated his commitment when he joined the police inspectorate working 'to the rules of the host', looking at crime prevention. His inspectorate had worked with HMI Prisons in a joint inspection covering the delivery of offenders into the community.

HMCI OFSTED, alone, did not see this approach to inspection as signifi-

cant as the other chief inspectors: 'Well, I'm not against bringing in experts from other areas. Indeed, in our inspections of local authorities we shall want and need to do this' (HMCI OFSTED). While keeping an open mind on the subject, he was hesitant about such an approach because he could not see any advantages for OFSTED, although he had agreed to an OFSTED HMI working with HMI Prisons. While he considered that made good sense for that inspectorate, he did not see it as a two-way process because OFSTED would not gain in inspectors' or procedural expertise. Where resources allowed, he was happy to assist other inspectorates.

Other levels of personnel involved in multi-inspectorate inspections also need to demonstrate commitment in terms of continuity. In the setting up of Joint Reviews there had been several changes of staff from both subscribing organizations, leading to difficulty in finding replacements with the same level of commitment and specific skills. Where changes in line managers had occurred delays had been caused because new managers 'want to revisit ... all the time' (Joint Review interviewee). The importance of continuity leading to stable working relationships was also stressed by HMCI of Prisons, who was anxious to avoid disagreements between inspectors with different working practices since such would discredit the whole approach.

Credibility of lead inspectors

Those leading multi-inspectorate teams need to be credible to those they lead and inspect since, if they are not, team fragmentation could occur. One interviewee indicated that when such credibility was lacking, individual inspectors looked to their home inspectorates to resolve problems instead of referring to the newly emerging team. The result was that line managers so consulted reacted according to the culture of their home inspectorate muddying the waters even further: 'So we now have a very fragile state of play, which has been very difficult to work in and make progress' (interviewee).

Lay inspectors and multi-inspectorate teams

Lay team members have been omitted from Joint Review teams. It would appear that unless it is a legal requirement for lay people to be included from the beginning, as was the case when OFSTED was created, then the excuse will be made that setting up a co-operative project is difficult enough without further complications: 'I think that the initial view was that things were complex enough anyway at the moment, may be at some stage in the future. I think it's something we should look at' (Joint Review interviewee).

Advantages of the multi-inspectorate approach

The multi-inspectorate approach to inspections was seen by those interviewed to have advantages over the more traditional forms of single team inspection. 'There is a sense of excitement and potential' (Joint Review

interviewee). These were highlighted by three of the chief inspectors. The Chief Inspector SSI, for example, considered that it behoved inspectorates to work in ways they expected those being inspected to work; so, for him a multi-inspectorate approach, being co-operative in nature, gave out the right messages. He had found it very satisfying to extend beyond the Department of Health: 'We've had it easy in some ways in the Department because we've always been able to have nurses and doctors in our teams and that's been an enormous strength' (Chief Inspector SSI).

Taking Joint Reviews as an example of the multi-inspectorate approach, there were a number of perceived advantages; because reviews were newly devised they had taken the opportunity to offer more than traditional single-inspectorate inspection. They were seen as a type of inspection but with added value, characterized by the developmental nature of reviews which moved local authorities forward by: '... engaging with them as partners There is an expectation that the process itself will be helpful' (Joint Review interviewee). Such active involvement is typified by the role of elected members during reviews since they are responsible for setting spending priorities: '... a lot of ... Local Authority Social Services Departments are in the state that they're in or have the problems that they've got because of the political priorities that are being set by members' (ibid.).

The devising of Joint Reviews afforded the opportunity to consider the inspection process from the standpoint of those being inspected, with the consequent recognition that local authorities were in danger of 'being inspected to death' (interviewee) and that inspection had resource implications for authorities. A 'schedule of what work is going on in what authority' resulted.

Further advantages included reviews offering 'the big picture' (ibid.); while not having the depth and narrow focus of inspection, reviews do cover a wide range of issues and have mechanisms for 'probing ... at strategic points'. Furthermore, reviews fit local circumstances; there is 'a standard agreed territory ... a core expectation, which is then tailored'.

Since reviews work across departments they also have the advantage of actively exploring inter-departmental links:

It is recognised that in the planning and delivery of services to the public the social services authority must cooperate with other agencies, principally health authorities, health providers, education, and housing. This is built into the content of the review and the joint review team will ask to meet key figures from other agencies (AC and SSI 1995, p. 2).

Thus, while the review teams do not have the authority to review other agencies, they do have the advantage of being able to consider the 'interfaces and mechanisms' (Joint Review interviewee) existing between the LASSDs and agencies.

There are also advantages at the reporting stage, since the recognition that review reports have a diverse audience has led directly to a short ver-

sion of the report being published with the aim of 'summing up the main points in an accessible fashion with the intention of giving the report wide currency' (AC and SSI 1995, p. 6). The final report goes through a process which actively involves elected members and officers, who are responsible for its dissemination and must 'specify publicly the action which they intend to take' (ibid.).

A major advantage of multi-inspectorate working was generally seen to be the impact on all the inspectorates taking part. Three of the four chief inspectors felt that great mutual benefit was derived because inspectors were able to reflect on a variety of organizational cultures and methods of extracting and using data, enabling good ideas to be imported and adapted. Most fundamentally, co-operative working enabled inspectorates to review their own working practices 'it's a bit of good benchmarking without having to go through too much pain for it' (HMCI of Probation). In using the visiting inspectors' work as a benchmark, HMCI of Prisons considered that this could lead to a boost in the confidence of the host inspectors, on the occasions when they found their work to be in line with the visiting experts.

The multi-inspectorate approach was considered not only to have a positive impact on the inspectorates but also on inspectors. Improvements in working practices had been witnessed by HMCI of Prisons as his inspectors had learned to look for better evidence from a different standpoint, stepping beyond 'their gut tells them something but they're not quite sure why' (HMCI of Prisons). The Chief Inspector SSI considered that inspectors benefited by a widening of their vision, which was felt to be of particular importance for those who had worked in their inspectorate many years and who were possibly at risk of their work becoming: '... process driven. We have a management philosophy which is about seconding staff in and out of the organisation deliberately in order to refresh them and refresh us.' The widening of the inspectors' horizons took place both formally, during the actual inspection, and informally during the social interaction of a variety of inspectors staying in same hotel during the fieldwork.

Chief inspectors also considered that the multi-inspectorate approach strengthened the inspection process itself; the bigger picture benefiting by making inspection more powerful and unassailable with 'a defensive operation available' (HMCI of Probation). This chief inspector traced the coming together of inspectorates, and the resultant mutual strengthening, from the time inspectorates became regulators with more powerful sanctions available to them.

Disadvantages of multi-inspectorate approach

There are, of course, disadvantages to the multi-inspectorate approach to inspection. One such, considered by HMCI of Probation to be 'quite dysfunctional', arose when inspectorates subscribe to different models of the service under inspection. A typical example emerged during various inspections of youth justice when HMIP adopted an offender model while

the SSI adopted a welfare model 'We'll see a kid and see an offender first: they'll see a kid and they'll see a child first and then we struggle'.

This same issue arose between HMI Prisons and the SSI during the multi-inspectorate inspections of YOIs, which proved to have both advantages and disadvantages. Supplying what HMCI of Prisons described as the 'missing dimension', the visiting SSI inspector drew on the approach used in the inspection of secure units where the Children Act (HMSO 1989) applies. HMCI of Prisons considered this approach to have been 'an eye opener'. While HMI Prisons were anxious to explore the differences thrown up in order to improve the service under inspection, the Governor expressed resentment that the ground rules had changed. He considered he had entered an examination room expecting a test in French and found it to be in Latin. A year later the situation, as far as HMI Prisons and the SSI were concerned, would seem to have been resolved with HMCI of Prisons indicating a shift in the approach taken by HMI. Following an inspection of Glen Parva YOI, HMCI of Prisons expressed his belief that:

... adolescents, which is what there are in Glen Parva, are not adult criminals: staff must be trained to treat them as adolescents first then criminals. There is not any one trained in Glen Parva to look after adolescents. So the first thing to do is to change the whole attitude of the staff towards the people who they were looking after (BBC 1997).

Clearly, multi-inspectorate inspections do demand a willingness on the part of all participating inspectorates to adapt to a new message, a new way of working, which could result in a diminution of the voice of any individual inspectorate. 'There perhaps is a certain amount of anxiety on the part of both organizations about "... Is there room for both of us?"' (Joint Review interviewee). This also concerned HMCI OFSTED who saw a danger in 'the message ... not ... [being] as solid and as clear as it ought to be ... I think it's extremely important that there is a clear voice that emerges'. He did not want OFSTED's voice to be diluted 'It's bad enough getting the internal voices into a corporate whole'.

While Joint Reviews have been funded, the more informal arrangements of co-operation across inspectorates have not. Commitment from chief inspectors to multi-inspectorate working has enabled such inspections to proceed without specific funding:

Sometimes practice gets ahead of accountancy systems. ... at the present time it's the only feasible way we can do it because there are problems of budgets and accountancy; but I'm not prepared to let that get in the way. So we just get on and do it (Chief Inspector SSI).

This lack of funding has resulted in the visiting inspectors being on 'free loan' since the host inspectorate has not paid for their services, an issue of concern to HMCI OFSTED: 'Our general principle is that if we second people to other organisations then they have to pay us. ... I would expect

there to be some commercial basis for the arrangement' (HMCI OFSTED). Stressing the need to keep OFSTED's costs down, he considered it was necessary to operate to market principles.

CONCLUSION

This paper has set out to show, by the development of a typology of inspection, that there is a far greater range of inspection types than the most readily recognizable one of single institutional inspections carried out by single inspectorate teams. The multi-inspectorate approach emerged as the most significant characteristic to watch in the future. Informal co-operation between inspectorates has developed, in part, because there has been a sufficient weight of chief inspector commitment. This has paved the way for more formal co-operation between inspectorates to develop. Both advantages and disadvantages of co-operative working have been considered as new inspection manuals and new approaches to inspection have been devised. Mutual benchmarking is affecting the working practices of inspectorates and an expanded notion of inspection is emerging, dependent on the range of inspectors who may now form a team. Traditionally, inspection has been rooted in the notion of peer accountability, since inspectors normally came from the same service background as those under inspection. Multi-inspectorate teams offer a wider approach with team members from a range of service backgrounds who, like lay inspectors, are able to bring a fresh approach to inspection unhindered by tradition (Mordaunt 1998).

It is likely that one of the next developments to emerge will be the establishment of a Joint Criminal Justice Inspectorate. In part, these developments were foreshadowed by Hartley's recommendation of the creation of 'a general Inspectorate of Local Authorities' (Hartley 1971, p. 452). Perhaps what we now see in the Joint Reviews of LASSDs, where the SSI and the AC have combined, along with the inspection of LEAs, for which OFSTED and the AC have co-operated, is the first step towards Hartley's notion of a general Inspectorate of Local Authorities, which he envisaged as being inspectoral rather than advisory: 'The Inspectorate's task would be to inspect, report, and comment on local authority implementation of national policies. It would, in consequence, need to be multifunctional, containing specialists on each aspect of local services' (ibid., pp. 452-3).

REFERENCES

- AC and SSI 1995 *Joint reviews of social services authorities consultation document*. London: Department of Health
- BBC October 1997. *Inside BBC2* documentary.
- Coopers and Lybrand 1994 *A focus on quality* London OFSTED
- CSCS, NAPE and OFSTED (undated) *Inspection - improving schools together* Northampton: CSCS
- Day, P and R Klein. 1987 *Accountabilities free public services*. London Tavistock
- 1990 *Inspecting the inspectorates. services for the elderly* York: Joseph Rowntree Memorial Trust
- DES 1978. *Primary education in England A survey by HM Inspectorate of Schools* London: HMSO.

- . 1979 *Aspects of secondary education in England A survey by HM Inspectorate of Schools*. London HMSO.
- DoH 1995. *Social services: maintaining standards in a changing world: an introduction for elected members and chief officers of local authorities* Circular LASSL(95)5
- Grabosky, P and J Braithwaite 1986. *Of manners gentle enforcement strategies of Australian business regulatory agencies*. Melbourne. Oxford University Press
- Hartley, O. A. 1971. 'The relationship between central and local authorities', *Public Administration* 49, (winter), 439–56
- . 1972. 'Inspectorates in British central government', *Public Administration* 50, (winter), 447–66.
- Henkel, M. 1991. *Government, evaluation and change* London Jessica Kingsley.
- HMI Prisons. 1996a 'Expectations' unpublished internal manual
- 1996b *Annual report of HM Chief Inspector of Prisons for England and Wales* London: The Stationery Office Ltd
- 1996c *Patient or prisoner?* London: Home Office
- 1997a. *Women in prison. a thematic review by HM Chief Inspector of Prisons* London Home Office.
- 1997b *Young prisoners a thematic review by HM Chief Inspector of Prisons for England and Wales* London: Home Office
- 1998 *HM Prison Shrewsbury report of an unannounced short inspection* London: Home Office
- HMIP. undated *Guide to role and functions* London Home Office
- . 1994. 'Inspecting quality and effectiveness in the probation service: the manual' unpublished internal manual
- 1995. *Thematic inspection manual* unpublished internal manual.
- 1996 *Standards and criteria: thematic inspection on the work of the service with drug misusers* unpublished manual
- . 1997 *Tackling drugs together: report of a thematic inspection on the work of the Probation Service with drug misusers* London: Home Office
- HMI Schools. 1995 *The first 200 Section 9 inspections of primary schools* London OFSTED.
- HMSO 1989. *The Children Act*. London HMSO.
- 1996. *Audit (Miscellaneous Provisions) Act*. London HMSO.
- Home Office 1998 *Joining forces to protect the public prisons-probation, a consultation document* London The Stationery Office
- . 1999 *Lifers: A joint thematic review by Her Majesty's Inspectorates of Prisons and Probation* c3000 3/99 London: The Stationery Office.
- Hood, C and C. Scott. 1996 'Bureaucratic regulation and new public management in the United Kingdom. mirror-image developments?', *Journal of Law and Society* 23, 3, 321–45
- Maychell, K and W Keys. 1993 *Under inspection: LEA evaluation and monitoring* Slough, Berks NFER.
- Mordaunt, E 1998 'The citizen's journey. an exploration of the term 'lay' in four inspectorates', *Research Papers in Education* 13, 2, 277–90
- . 1999. 'A comparative study of four government inspectorates' Unpublished Ph D thesis, University of Sheffield.
- OFSTED 1995a/b/c *The OFSTED Handbook guidance on the inspection of primary/ secondary/ special schools*. London HMSO
- . 1995d. *Ashmole School Southgate* London OFSTED
- . 1996b. *The teaching of reading in 45 Inner London primary schools* London. OFSTED.
- OHMCIS. 1993. *GNVQs in schools The introduction of General National Vocational Qualifications 1992* London OFSTED.
- 1994 *GNVQs in schools 1993/94: quality and standards of General National Vocational Qualifications* London OFSTED
- . 1995 *Class size and the quality of education*. London OFSTED
- 1996a *Assessment of General National Vocational Qualifications in schools 1995/96* London: OFSTED.
- 1996b *Part One General National Vocational Qualifications pilot interim report 1995/96* London OFSTED.
- . 1997 *Part One General National Vocational Qualification Pilot. The first two Years 1995/97* London: OFSTED.
- 1998 *Standards of achievement in Advanced GNVQs in Sixth Forms 1997* London: OFSTED.
- OHMCIS and AC 1997 *LEA support for school improvement a framework for the inspection of local education authorities* London OFSTED
- Pearce, J 1986. *Standards and the LEA the accountability of schools* Windsor, Berks. NFER-Nelson

- Rhodes, G 1981 *Inspectorates in British government*. London: Allen & Unwin
- SSI. 1995 *The management and resourcing of training in social services departments: overview report 1994/95*. London: Department of Health
- 1996a *General social services policy and training, vol. 1 Standards used by the Social Services Inspectorate*. London: Department of Health
- 1996b *Children's services, vol. 2. Standards used by the Social Services Inspectorate*. London: Department of Health
- 1996c *Children's services, supplement to vol. 2 Standards used by the Social Services Inspectorate*. London: Department of Health
- 1996d *Children's residential care, secure accommodation and juvenile justice, vol. 3 Standards used by the Social Services Inspectorate*. London: Department of Health
- 1996e *Community care services, vol. 4. Standards used by the Social Services Inspectorate*. London: Department of Health
- 1996f *Disability and mental health services, vol. 5. Standards used by the Social Services Inspectorate*. London: Department of Health
- 1996g. untitled *Manual of a national inspection of services to people with a specific disability*. Unpublished
- 1997b. *A service on the edge inspection of services for deaf and hard of hearing people*. London: Department of Health
- SSI and AC. 1996. *Joint review inspection manual*. London: Joint Reviews of Local Authorities' Social Services.
- 1997 *Reviewing social services: annual report 1997*. London: Joint Reviews of Local Authorities' Social Services
- 1998. *Getting the best from social services learning the lessons of joint reviews: annual report 1998*. London: Joint Reviews of Local Authorities' Social Services
- SSI and OFSTED. 1995. *The education of children who are looked after by local authorities*. London: Department of Health and OFSTED.
- Stillman, A. and M. Grant 1989. *The LEA adviser – changing role*. Windsor, Berks: NFER-Nelson
- Utting, Sir W. 1997 *People like us the report of the review of the safeguards for children living away from home*. London: The Stationery Office
- Wilcox, B 1992. *Time constrained evaluation: a practical approach for LEAs and schools*. London: Routledge

Date received 11 May 1999. Date accepted 9 July 1999.

Political Studies

**Published by Blackwell Publishers Ltd for the
Political Studies Association of the United Kingdom**

Edited by Patrick Dunleavy & Paul Kelly

Political Studies publishes new and significant work in all fields of political science, without restriction on themes, approaches or geographical focus. This internationally respected journal is committed to the very highest standards of peer reviewing; to developing the most promising new work available and to facilitating professional communication in political science.

The *Political Studies* Books Section provides unrivalled review coverage of new books and literature on political science and related themes and does so in a timely and comprehensive way.

Political Studies ISSN: 0032-3217. Volume 48 (2000) contains 5 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk

 **BLACKWELL**
Publishers

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

POLICY NETWORKS AND POLICY LEARNING: UK ECONOMIC POLICY IN THE 1960s AND 1970s

HUGH PEMBERTON

Policy networks are advanced as an alternative to the Westminster model of the UK polity but the theory lacks an internal dynamic and has typological problems. This article applies Peter Hall's (1993) concept of 'social learning' to policy networks and maps the networks found in two case studies of British economic policy making: Hall's own study of the shift from Keynesianism to monetarism in the 1970s and the author's research on the advent of 'Keynesian-plus' in the early 1960s. The article advances three main propositions. Firstly, that integrating the concept of social learning can dynamize the policy network model. Secondly, the case studies suggest that different network configurations are associated with different orders of policy change but that Hall's definition of 'third order change' may be too restrictive. Thirdly, policy networks can be much more complex and fluid than is generally claimed, sometimes becoming so extensive that they might be termed a 'meta-network'.

INTRODUCTION

It is now almost a truism that the traditional 'Westminster model', with its emphasis on the sovereignty of Parliament, has become an inadequate description of the British polity (see for example Mackintosh 1977; Gamble 1990 and 1990b; Rhodes 1995). It has been argued that policy networks provide a more realistic model (Marsh and Rhodes 1992; Rhodes 1994, 1995 and 1997; Smith 1998). Yet the ability of policy network theory to tell us anything meaningful about policy making has been questioned (particularly by Dowding 1995).

This article proposes as a solution to many of the criticisms of policy networks a hybrid model that unites policy network theory with Hall's (1993) theory of learning in the policy process. I then apply this hybrid model to two case studies of British economic policy making. Firstly, I identify and map the networks in Hall's (1993) analysis of social learning in UK economic policy during the 1970s, particularly the paradigm shift from Keynesianism to monetarism. Secondly, I use my own archival research (which builds upon the collaborative work between historians and political scientists in the ESRC's recent 'Whitehall' programme) to map the

Hugh Pemberton is a postgraduate student in the Departments of Politics and Historical Studies at the University of Bristol.

networks associated with another important shift in British economic policy – the adoption of Keynesian-plus policies in the early 1960s.

The article makes three main propositions. The first is that integrating the concept of social learning into policy network theory offers an effective way of dealing with the latter's lack of dynamism. The second proposition is that different network configurations are associated with different orders of change. Finally, I argue that policy networks can potentially be much more complex and fluid than is generally claimed and that sometimes a very extensive network of networks, or 'meta-network', may emerge, particularly during periods of significant policy change.

THE RHODES MODEL DESCRIBED AND APPRAISED

Rhodes has attempted to widen the analysis of the UK polity by highlighting the complexity of its 'core executive' (Dunleavy and Rhodes 1990) and emphasizing the degree of 'coordination and fragmentation in central government' (in Rhodes and Dunleavy 1995, pp. 11–13). He has also integrated the idea of a 'core executive' with the broader concept of policy networks that emerged from the ESRC's project on central-local government relations and the development, as part of this project, of a power-dependency model of organizational relationships (see Rhodes 1981, p. 98; and his recent restatement of the framework in 1997, pp. 36–7). Organizations in this framework are seen as interdependent, operating within 'known rules of the game' and forced to exchange resources to attain their goals (see also Klijn *et al.* 1995). Rhodes describes the sets of interacting and interdependent organizations operating within the power-dependency framework as 'policy networks'. Marsh and Rhodes (1992, pp. 1–26 and 251) identified five types of policy network in a continuum from highly integrated 'policy communities' through professional, inter-governmental and producer networks to loosely integrated 'issue networks'. They also postulated four dimensions to the typology: membership, level of integration, resources and power.

The strength of the Rhodes approach is that, by breaking open the Westminster model, it is able to acknowledge and reveal the complexities of policy making. Indeed Rhodes has recently argued that a steady post-war transformation of British government has seen a shift from a unitary state to a 'differentiated polity' in which policy networks have become *the* defining attribute of the British political process (Rhodes 1995b, 1997). This is a significant claim and it has not gone unquestioned by contemporary historians (see, for example: Bridgen forthcoming; Lowe 1997; and Rollings and Ringe 2000). The debate, however, centres on the degree to which policy networks are a new phenomenon rather than whether a shift in degree has taken place.

A more significant assault on the Rhodes model has come from those political scientists who have criticized it on grounds of theoretical weakness. The first point of attack has been the model's typology, which a num-

ber of critics have criticized for being incomplete (for example Marin and Mayntz 1991, pp. 16–17 and Bogason and Toonen 1998, p. 220). It must be acknowledged that, despite the large body of theoretical work in recent years, we are still left with the question ‘what is a policy network?’. Yet the Marsh and Rhodes typology is, of course, already complex. A typology that varies in four non-binary dimensions will give rise to an extensive variety of networks (Smith 1993, pp. 222–6). Despite this, however, it is noticeable that the Rhodes and Marsh typology is rarely discussed in terms of anything but the two ends of its spectrum – policy communities and issue networks. This is a fundamental, if implicit, criticism since it calls the usefulness of the typology into question. Indeed, if network types exist on a continuum, the construction of a typology risks the loss of one of the major strengths of Rhodes’ analysis – his recognition of the diversity, complexity and fluidity of policy networks. Rather than become overly concerned with labelling networks it might be better to recognize that networks may have varying numbers of members, be more or less integrated, and have varying levels of resources and different power distributions. We must remember, of course, Toonen’s (1998) warning that not all relationships constitute a network and that the analysis needs to be restricted to relationships where there is some form of inter-dependency. We must also acknowledge Hay’s (1998, p. 37) strictures against diluting policy network theory to the extent that we ‘empty the concept of all analytical content’. Yet liberation from the constraint of Rhodes’ typology might allow us to recognize that policy networks are extraordinarily diverse and complex.

A further criticism concerns the role of network structure in conditioning policy outcomes and the distinction between structure and agency. Marsh (1998, pp. 11–12), for example, acknowledges that the typology is essentially structural and that network structure affects policy outcomes. Yet the Marsh and Rhodes typology has very little to say about the impact of a given network on policy making and it is clear that structure and context need better integration with policy network theory.

Ironically, however, another criticism of policy network theory is that it underplays the role of agency. Marsh and Rhodes (1992, ch. 11) accepted that networks are not mutually exclusive and that different types of network may co-exist in a given policy area, with overlapping networks produced by actors or organizations being members of more than one network. Dowding (1995) has argued that the role of actors needs to be given greater emphasis and that individual bargaining strategies, power resources and the coalition possibilities open to actors explain sectoral differences in policy making. Hay (1998, p. 44) has proposed that the solution to the problem of structure and agency in policy network theory lies in understanding the interplay between the two and understanding the role of learning in the policy process. He seeks to shift the focus on to the role of change, with networks ‘conceived of as strategic alliances recursively reconstituted through the process and practice of networking’.

The role of change in policy network theory is, however, particularly problematic. The inability of the model to explain change has been trenchantly criticized by Dowding (1995). Blom-Hansen (1997) has also argued that the model lacks an internal dynamic. From the outset, Marsh and Rhodes (1992, ch. 11) were forced to concede that policy network theory did not provide an adequate explanation for change and that policy networks appeared to promote continuity and stability. As Marsh (1998, pp. 11–12) has recently admitted, an important feature of the Marsh and Rhodes typology is that change in both networks and policy outcomes is brought about exogenously.

Thus the fundamental criticisms of policy network theory are that it lacks explanatory power and an internal dynamic. These are potentially devastating conclusions for the policy network model. A common observation is that, to address these shortcomings, policy network theory must be more explicitly integrated with other theoretical models. Critics have proposed a multiplicity of possible candidates for integration. Blom-Hansen (1997) and Dowding (1995) have suggested rational choice theory. Bogason and Toonen (1998, p. 225) identified resource dependency and discourse theory as additional possibilities. Daugbjerg and Marsh (1998, p. 61) and Smith (1993) have advocated macro-theories such as Marxism, élitism and pluralism. Peters (1998, pp. 29–31) has suggested Sabatier's advocacy coalition model, epistemological communities or theories of agenda setting and 'punctuated equilibria'. Hay (1998) offers a further possibility by suggesting that a solution might lie in a 'strategically selective' approach that seeks to examine the role of strategic learning within networks. He argues that strategic action gives rise to two effects: firstly strategic learning by actors; and secondly a partial transformation of the context within which policy actors make their future strategic calculations. I suggest that Hay's injection of learning and contextual change into the policy network model can be extended. This development could enable policy network theory not just to solve the structure/agency dichotomy, as Hay suggests, but also to deal more explicitly with the model's lack of an internal dynamic.

MODELS OF SOCIAL AND POLITICAL LEARNING

Hay's critique is based upon theories of learning in the policy process which are rooted in Easton's (1965, pp. 17–18) description of political life as 'a system of behaviour embedded in an environment to the influences of which the political system itself is exposed and in turn reacts'. This concept of policy feedback implicitly informed Heclo's (1974, pp. 304–15) assertion that much of the time policy making is not about power but is instead a process of 'collective puzzlement' in which political parties, interest groups and the state bureaucracy (particularly 'middlemen' at the interfaces between these groups) are involved in continual analysis and deliberation in an attempt to build consensual solutions to policy problems. Heclo found this process, which he termed 'political learning', to be largely confined to

relatively autonomous experts, particularly administrators, and he argued that political power would only be resorted to where the consensual process of analysis and deliberation failed. The consequence, in Heclo's opinion, was that parties entering government tended to make changes at the margin and so, perhaps unwittingly, a policy consensus was moved forward. Thus old policies almost invariably condition new policies and political learning is at once an explanation for change and continuity.

Heclo's notion of 'political learning' shaped Hall's later concept of 'social learning'. This Hall (1993, p. 278) defined as 'a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information'. The different term reflected the greater role that Hall gave to politicians, and to the influence of agents outside the narrowly bounded traditional policy-making community. Hall (1993, p. 279) argued that 'policymakers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing'. He proposed that change occurred through a process of 'social learning' which had three degrees or orders. *First order* change occurred when the settings of a policy instrument used to attain a set of given goals, for example the rate of interest, was amended. *Second order* change occurred when, within the given set of goals, the policy instruments used to attain them were changed; for example the transfer by the incoming Blair government of responsibility for setting UK interest rates to the new Monetary Policy Committee. Hall argued that these first and second order changes corresponded well to the concept of learning advanced by Heclo. However, he maintained that, whilst policy within any particular field is made within an overarching set of goals, occasionally the goals themselves will be changed – an alteration so fundamental that Hall termed it a 'paradigm shift'. Hall's example was the transition from a Keynesian to a monetarist paradigm in UK economic policy making during the 1970s. This *third order* of change involved an ideological transformation produced by a process that 'spilled well beyond the boundaries of the state to involve the media, outside interests, and contending political parties' in a debate over the remedies that the UK economy required (Hall 1993, p. 288).

Hall concluded that third order change fitted poorly with Heclo's concept of learning, and that it represented an extra dimension to Heclo's analysis, running contrary to Heclo's assumption that policy makers within the state act relatively autonomously – especially in fields such as economic policy making that require a high degree of technical understanding. Not only was a change in ideas pivotal in this paradigm shift (see also Hall 1989 and 1992) but the politicization of the debate was fundamental to the institutionalization of the new paradigm. During this process, in Hall's view, 'something similar to a "policy network" or "issue network" sprang up which provided outsiders with influence over a formerly closed policy process' (Hall 1993, p. 289).

The recent development of learning theories, with their 'strong focus on ideas, stores of knowledge and ideologies has led to a cognitive turning point in policy research' (F. Nullmeier, quoted in Knoepfel and Kissling-Näf 1998, which contains a useful summary of other recent literature in German on policy networks); but the approach is not without problems. Hall (1986, p. 16), for example, has acknowledged that different people may learn different lessons from policy failure. His concept of 'social learning' has also been criticized by Oliver (1997, pp. 11–17) for failing to provide a detailed explanation of how policy-makers learn and how the ideas underlying a policy are changed. It is not, for example, entirely clear if social learning is incremental or disjunctive. Nor is it clear how academic debates enter popular and political consciousness (Blythe 1997).

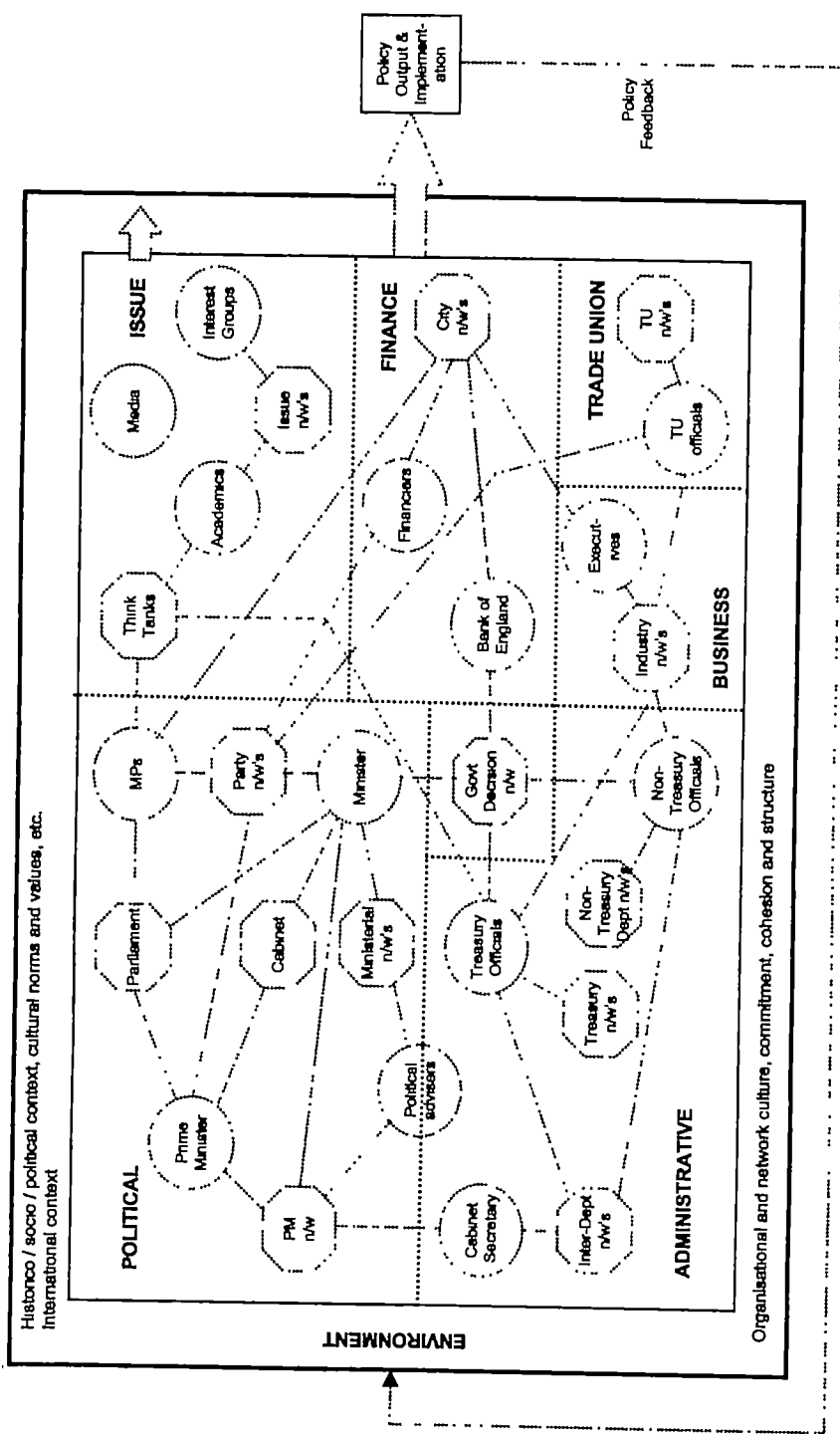
There are also methodological issues. Knoepfel and Kissling-Näf (1998), for example, have pointed out that it is difficult, indeed often impossible, to observe and record learning. Hall (1997) has acknowledged the difficulty of disentangling ideas from other variables. And even if ideas are important, this importance is difficult to quantify. Nor is there any clear agreement on what constitutes 'learning' (Bennett and Howlett 1992, p. 276). The fact that learning is a continuous process also makes it difficult to demonstrate what would have happened had such learning not taken place. Yet Bennett and Howlett (1992, p. 290) have pointed out that these problems are surmountable. In particular, they suggest that the 'set of methodological difficulties associated with the complexity of the subjects, objects and effects of learning' can be addressed *via* 'intensive examination of a few comparable cases'. In addition, Hall (1997, pp. 183–6) has suggested that we would better understand how ideas become institutionalized if social learning was given an improved structural dimension.

THE SCHEMA AND THEORIES OF ENVIRONMENTAL CHANGE

The schema shown in figure 1 provides a means to address these problems with both social learning theory and the policy network model. The schema takes as its starting point Hall's call for a link to be made between social learning and structural analyses, and his detection of policy networks in learning (a link explored recently by Knoepfel and Kissling-Näf 1998), particularly in third order change. It also builds upon Hay's (1998) conclusion that a return to a traditional definition of 'network' (as sets of inter-related actors with a common purpose) might yield some benefits. I have also taken literally Marsh's (1998, pp. 13–16) comment that in classifying networks any approach to policy networks requires a schema (but taking schema to mean a plan rather than a typology).

The schema has been designed as an 'organising perspective' (Gamble 1990) for the analysis of economic policy making in the United Kingdom. At its core is the general acceptance that post-war British economic policy has emerged from a tightly bound central government decision-making network consisting of Treasury ministers, officials from the Treasury and rev-

FIGURE 1 *A policy network schema*



enue departments, and the Bank of England (see for example, Hall 1982; Ingham 1984; Keegan and Pennant-Rea 1979; and Longstreth 1979). But, of course, this core decision-making network (or policy community) does not operate in a vacuum. Firstly, the actors and institutions involved are themselves embedded in other networks. Secondly, the network is characterized 'by specific configurations of perceptions which are related to [its] history and nature' (Klijn *et al.* 1995, p. 440). The proposed schema is an attempt to recognize this. It operates at the most general level, providing a map of how institutions and actors within the policy-making process, in its broadest sense, interrelate and thus provides a framework for analysis.

The schema has three basic elements: the two large boxes and the feedback loop. Firstly, the central box represents what might be termed the policy-making 'terrain'. It encompasses a range of possible policy actors (represented by circles) which extends from the Prime Minister to more peripheral actors such as academics. Each actor is linked to one or more 'networks' (represented by octagons). The linkages are dynamic and those shown are not exhaustive. The networks to which actors are linked can be formal or informal, or often a mixture of the two. The Cabinet, for example, is a formal institution that is a 'network' in the sense that it brings together actors to discuss and decide policy. The 'Parliament' network consists of the formal sittings of Parliament and parliamentary committees but also encompasses informal groupings of MPs.

For analytical convenience the actors and networks are divided into five groups. The political, finance, business and trade union groups are relatively self-explanatory and should be uncontentious. The presence of advisers straddling the border between the political and administrative grouping reflects their ambiguous status in government. The administrative grouping equates to the Whitehall-based civil service and it does not, for reasons of simplicity, include civil servants outside Whitehall, local government structures or government agencies staffed by non-civil service employees. The Treasury is separately modelled by virtue of its superior access to information and to the core government decision-making network (Heclo and Wildavsky 1974; Keegan and Pennant-Rea 1979; Longstreth 1979, p. 187; Smith *et al.* 1995). The 'issue' grouping is less easily defined. It represents an extremely loosely articulated body of actors who do not make economic policy but can shape it indirectly, through the generation and transmission of ideas that change the context within which policy decisions are made, or by directly advising policy makers at the centre. Within this policy-making terrain interested actors and networks coalesce around a given policy issue and produce a particular network, perhaps even a network of networks, or what might be termed a 'meta-network'.

The second element of the schema is the larger box within which the policy-making terrain is embedded. This represents the environment, or context, within which policy makers act. This environment operates at three levels. At the lowest level is organizational culture (see, for example, Smith

(1998, p. 66) or Middleton's (1996, pp. 38–9) comments on the possible bias against spending for economic growth that the Treasury's historic role as the controller of public expenditure might engender). The second level is the international context. Strictly speaking, much of this consists of foreign policy actors and institutions, such as the IMF, US government or European Central Bank, to which actors and networks within our schema will be linked either formally or informally. For simplicity, however, they are treated as exogenous. Finally, at the highest level lies the broad historical, sociological and political context that shapes and constrains individual policy makers and the institutions and networks within which they operate. Included in this level is the environmental change produced by general elections.

The third element of the schema is the inclusion of two devices that allow environmental change to occur as a result of actions taken within the policy-making terrain. Firstly the incorporation of Easton's 'policy feedback loop' is a recognition that the implementation of policy can change the environment and that this changed environment will, in turn, affect the subsequent actions of policy makers and perhaps also the structure of the policy network itself. Actors and networks within the policy-making terrain 'learn' from, or at least react to, policy failures and successes as suggested by Hecla and Hall. Of course, exogenous factors may also produce environmental change. Thus what I have termed the policy-making terrain is an open system that responds to changes in its environment.

Finally, the small arrow flowing from the top-right of the policy-making terrain into the environmental box represents the way in which actors and networks within the terrain can change the policy environment through the medium of ideas. New ideas may be developed, perhaps by academics or think tanks, and may be promoted by interest groups *via* issue networks. The degree to which a new idea affects the external environment, and/or is disseminated within the policy-making terrain, will depend on the extent of the network that builds up around it, and also on the degree to which this encompasses the core government decision-making network. In theory any of the actors within the policy-making terrain might be capable of directly influencing the intellectual environment. In practice, however, this influence is almost invariably exercised indirectly through the 'issue' grouping, and most often through the media (along the lines described by Hall 1993, pp. 286–387; see also Keegan and Pennant-Rea 1979). To a great degree, the media is the means by which ideas are communicated to society as a whole and it is an important influence on voters (Parsons 1989). Links between the media and other actors and networks within the policy-making terrain are so multitudinous that no attempt has been made to illustrate them.

HALL'S THREE ORDERS OF CHANGE CONSIDERED IN TERMS OF THE SCHEMA

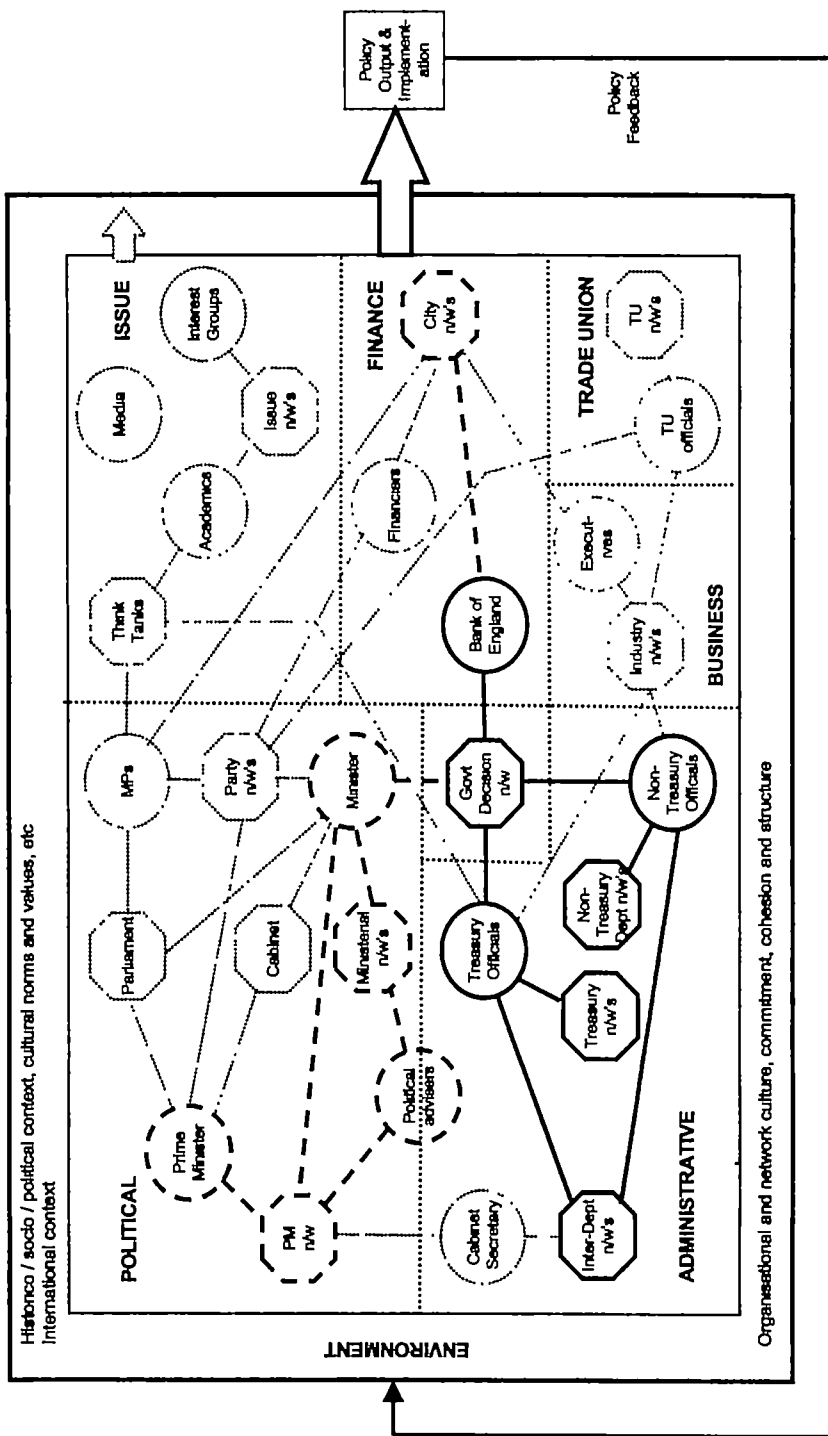
An illustration of the fluidity and extent of policy-making networks can be demonstrated by using the schema to examine particular instances of policy making. Figure 2 shows, in bold, the meta-network and learning process that can be detected in Hall's (1993, pp. 281–7) analyses of first and second order change in UK economic policy making during the 1970s and early 1980s. The dashed lines indicate peripheral parts of the network.

Hall found that first order policy change, particularly in budgetary policy, took place with specific reference to the lessons of past policy and was largely driven by officials. Officials controlled both the process of economic forecasting and the advice going to the Chancellor. He found that ministers could influence the direction of policy to a certain extent (Callaghan, for example, managing to insist on a lower rate tax band in 1978) but in general lacked the economic expertise to gainsay official advice. Senior officials at the Treasury had a great deal of influence because they set the framework in which policy questions were considered. As Sir William Armstrong (a former Treasury Permanent Secretary) later put it: 'We set the questions which we asked ministers to decide arising out of the framework and it would have been enormously difficult for any minister to change that framework' (*The Times*, 15 November 1976). In addition, officials were relatively insulated from industrial, trade union and interest group networks that might have been expected to exert pressure on policy. First order change, in Hall's view, was therefore a response to policy feedback and, whilst politicians were present in the core decision-making network, it was officials who dominated the process.

Hall also examined three instances of second order change in economic policy during this period. The first instance was the alterations to credit control mechanisms in the early 1970s inaugurated by the Bank of England's 1971 consultative document on Competition and Credit Control (CCC). Hall found that the Bank initiated the scheme in response to complaints by the banking sector. Middleton (1996, pp. 550–1) also emphasizes growing dissatisfaction in the City with the reliance of the existing system on credit ceilings and direct controls. Both Hall and Middleton acknowledge that the more market-oriented CCC system fitted with the then Conservative government's attempts to re-define the economic role of government. Hall, however, finds that CCC was initiated by Bank officials before the Conservatives were elected and that its presentation was simply adjusted by officials to fit the Conservative agenda. Later, when the money supply rose sharply during 1972–3, after the Heath government's policy U-turn, Hall finds that the Prime Minister balked at the interest rate rises that the new system required and, instead, a new system of supplementary special deposits (the 'corset') was introduced in late 1973.

Hall's next example of second order change was the introduction of 'cash

FIGURE 2 First and second order change in UK macro-economic policy during the 1970s and early 1980s



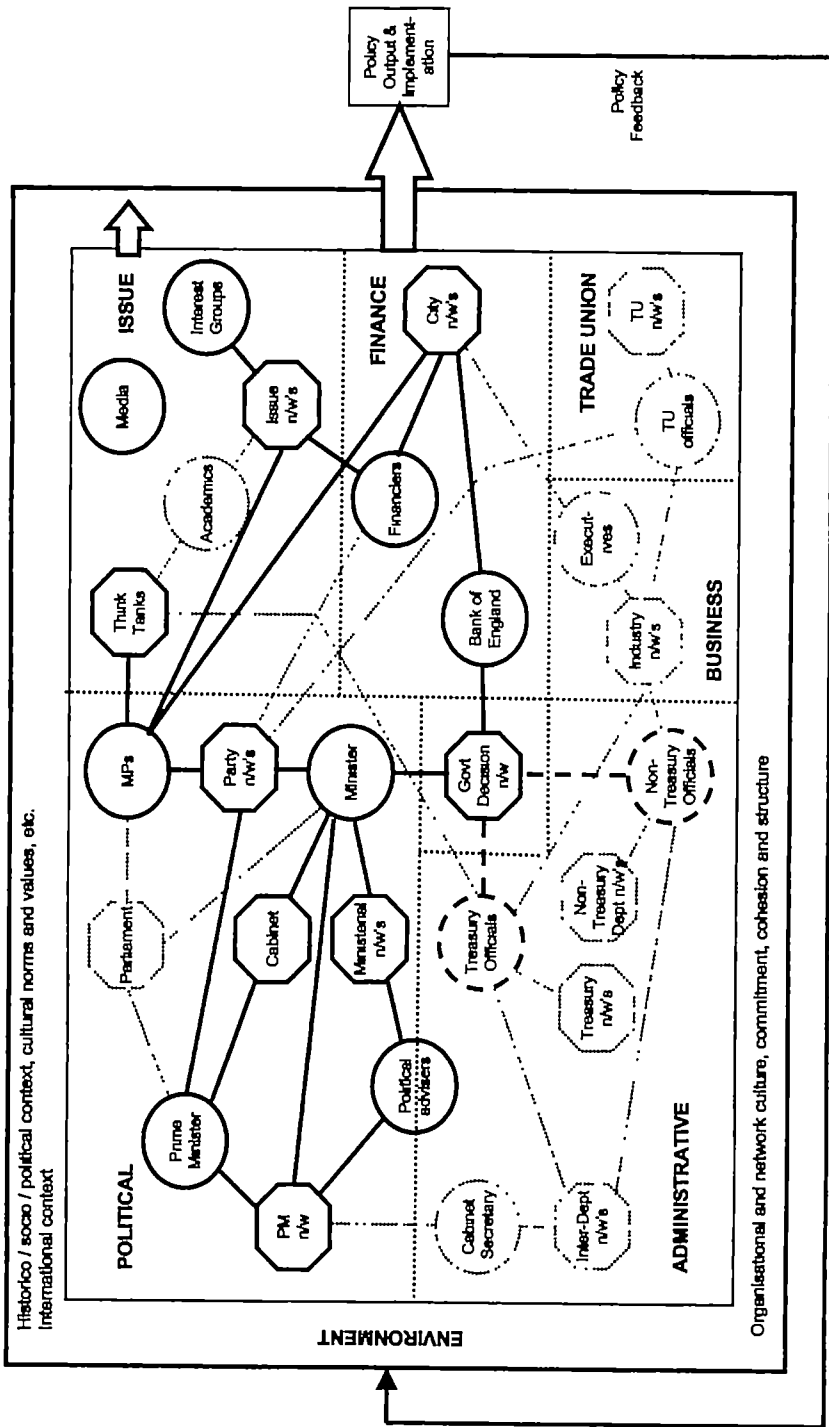
limits' in the mid-1970s. He concluded that Treasury officials, dissatisfied with the existing system of planning public expenditure in terms of volume, initiated the policy in an attempt to improve control over public expenditure. Again, Hall emphasized that the Treasury devised the system before Labour took office and presented it to the new Chancellor when appropriate circumstances arose.

Finally, Hall finds that Treasury and Bank of England officials played a key role in persuading ministers to drop the rigid target for the growth of money (M3) during the early 1980s, in the face of persistent failures to attain it. In all three cases of second order change, therefore, the change was a response to problems with prior policy and, although the evidence is less clear-cut than with first order change, Hall again finds that Treasury and Bank of England officials, not politicians, tended to be the key players in the core decision-making network and that the role of politicians in the policy network was generally subordinate.

Thus, in Hall's description of first and second order change in economic policy during this period, a policy network emerges that is very close to the traditional view of a closely bounded British economic policy-making community – albeit with links to some other networks within which the actors were embedded (see figure 2). Politicians were present in this network in both orders of change, but they played a subordinate role to officials.

A very different network emerges, however, from Hall's analysis of third order change in economic policy. Figure 3 illustrates the extensive meta-network detected in Hall's description of the replacement of the Keynesian economic policy-making paradigm by a monetarist paradigm. Briefly, in Hall's view the process was begun by the appearance of stagflation (rising inflation coupled with lacklustre growth in output and employment) that the Keynesian paradigm 'could neither fully anticipate nor explain' (Hall 1993, p. 285). In their attempts to cope with stagflation, officials tried a series of policy experiments such as the incomes policies of 1972–1974 and 1975–1977. In Hall's view, however, these amounted to little more than the adjustment of traditional Keynesian policy instruments. Hall argues that, because the problem lay outside the prevailing paradigm, this succession of first and second order changes was doomed to fail. The solution lay, instead, in changing the very paradigm within which economic policy was formed. Hall suggests, however, that the Labour government's attempted experiment with monetary targets in 1976 did not mark a fundamental policy shift. Instead, it served only further to erode the efficacy of Keynesian policy instruments, by increasing the power of financial markets over the government at a time when rising unemployment was raising its borrowing requirement. In Hall's opinion the adoption of monetarism did not occur until the election of the Conservatives in 1979. This is a contentious analysis. Others have identified Callaghan's speech to the 1976 Labour Party conference as the turning point: David Smith (1987, p. 65) thought it 'effectively

FIGURE 3 Third order change in UK macro-economic policy during the 1970s and early 1980s



sounded the death knell for post-war Keynesian policies and ushered in the new era of monetarism'. Artis *et al.* (1992) located the shift even earlier – in 1974. There is, however, a significant literature which supports Hall's view. Morgan (1998, p. 507), for example, sees Callaghan's speech as marking only the adoption of a 'modified' monetary policy. Middleton (1996, p. 545) cites Alan Walters belief in 1978 that the policy was 'largely cosmetic and probably for foreign consumption only'. Cairncross (1995, p. 226) concluded that 'With the change of government in May 1979 came [the] major shift in policy'.

Hall's point is that the failure of the Treasury to develop an effective policy solution produced a shift of authority during the mid- to late-seventies. As the inability of the traditional government decision-making network to solve the problem of stagflation became manifest, alternative ideas began to be explored in other quarters. Hall highlights the significant growth in the 'marketplace in economic ideas'. He cites the plethora of new research institutes that sprang up to investigate economic policy options, the expansion of economic research by financial institutions (see Pepper 1998), and the development of a sophisticated debate in the financial press over the direction of economic policy. This analysis is also emphasized by Middleton (1996, p. 546), Keegan and Pennant-Rea (1979, pp. 131–40) and Parsons (1989, pp. 172–81). Hall identifies the promotion by journalists of monetarist ideas, particularly those of American academics, as central to the Conservative's developing ideological attack on Labour. British academics remained overwhelmingly Keynesian (Wickham-Jones 1992) – although those who were not were mobilized to maximum effect by 'think-tanks' (such as the Institute for Economic Affairs, Centre for Policy Studies and, after 1978, the Adam Smith Institute) which became the principal agents of change of the Conservative Party (Cockett 1995, pp. 243–80).

In Hall's view, therefore, the construction and dissemination of new ideas, in turn triggered by negative policy feedback, drove the process of change. The Conservative victory in 1979, Hall argues, then institutionalized the new policy paradigm. As Hall (1993, p. 287) put it: the 'struggle to replace one policy paradigm with another was a society-wide affair, mediated by the press, deeply imbricated with electoral competition, and fought in the public arena'. The traditional economic policy-making community was overwhelmed by the extensive policy meta-network which formed during this process and which grew out from the 'issue' sector of the schema to eventually penetrate the core government decision-making network. In this case it was not government officials who dominated; it was politicians and the media, with the support of the financial institutions. Figure 3 shows the end-product of the process.

THE ADVENT OF 'KEYNESIAN-PLUS' IN THE 1960s: ANOTHER PARADIGM SHIFT?

Analyses of post-war UK economic policy often take Hall's approach and divide it into two eras: Keynesian and monetarist (see, for example, Lipsey

1989, pp. 773–4). As Gamble has pointed out, however, the early 1960s saw another important turning point in the dominant intellectual framework within which post-war UK economic policy has been made. This involved the advent of enhanced demand management, incomes policy and, particularly, strategic planning; what Gamble termed the 'Keynesian-plus' era (Gamble and Walkland 1984, pp. 69–71, 80–5) and what Brittan (1964, p. 204) described as a 'great reappraisal' in which 'traditional assumptions were challenged and many new ideas were introduced'.

Although only a brief resumé of this process can be given here, a detailed analysis suggests that the policy network that underlay the redirection of policy was again very complex. As with the later shift between Keynesianism and monetarism the trigger was negative policy feedback. Particularly important were the increasing availability of data revealing Britain's relatively poor economic performance (Tomlinson 1996), growing dissatisfaction with the economic 'stop-go' that had characterized the Keynesian stabilization policies of the 1950s (Shonfield 1958, pp. 278–96), and the growing problem of inflation (which appeared to be an inevitable consequence of full employment policies according to Phillips 1958). An analysis of academic journals indicates that after the 1955 'stop' there was a marked increase in academic articles on the problems of 'growth' and relative failure that reached its peak during the years 1959 to 1961. This academic debate then informed influential analyses by economic journalists of the 'investment problem' and Britain's lacklustre growth (for example Shonfield 1958 and Shanks 1961). The attention given to the problem by journalists helped change the policy environment as Britain became gripped by a sense that something must be done about its relatively poor economic performance (Tomlinson 1996).

By the early 1960s media opinion had coalesced around the introduction of some form of 'planning' as the required panacea. Within industry, the response of the Federation of British Industry (a forerunner of the CBI) to the debate was to create a study group of industrialists and economists to consider ways to improve economic growth (Leruez 1975, pp. 85–6). In November 1960 the federation's annual conference advocated long-range economic planning as the solution, a significant departure from the federation's former support for free markets (Brittan 1964, pp. 215–8). The FBI's adoption of the new policy, and the fact that it was well received by some senior Treasury officials (PRO: T 171/524, 28 November 1961, 'Note by the Permanent Secretary'), was a mark of the changing intellectual climate that had been produced by the writings of academics, journalists and think tanks such as the authoritative Political and Economic Planning (PEP 1960 was particularly significant). PEP, in conjunction with the National Institute for Economic and Social Research (NIESR), was also behind an influential conference on French planning in April 1961 that brought together financial journalists, industrialists, ministers and officials (PEP 1961). The NIESR, which drew seconded economists from the Treasury and from industry, was an important conduit to the Treasury for new ideas (PRO: T 230/657 –

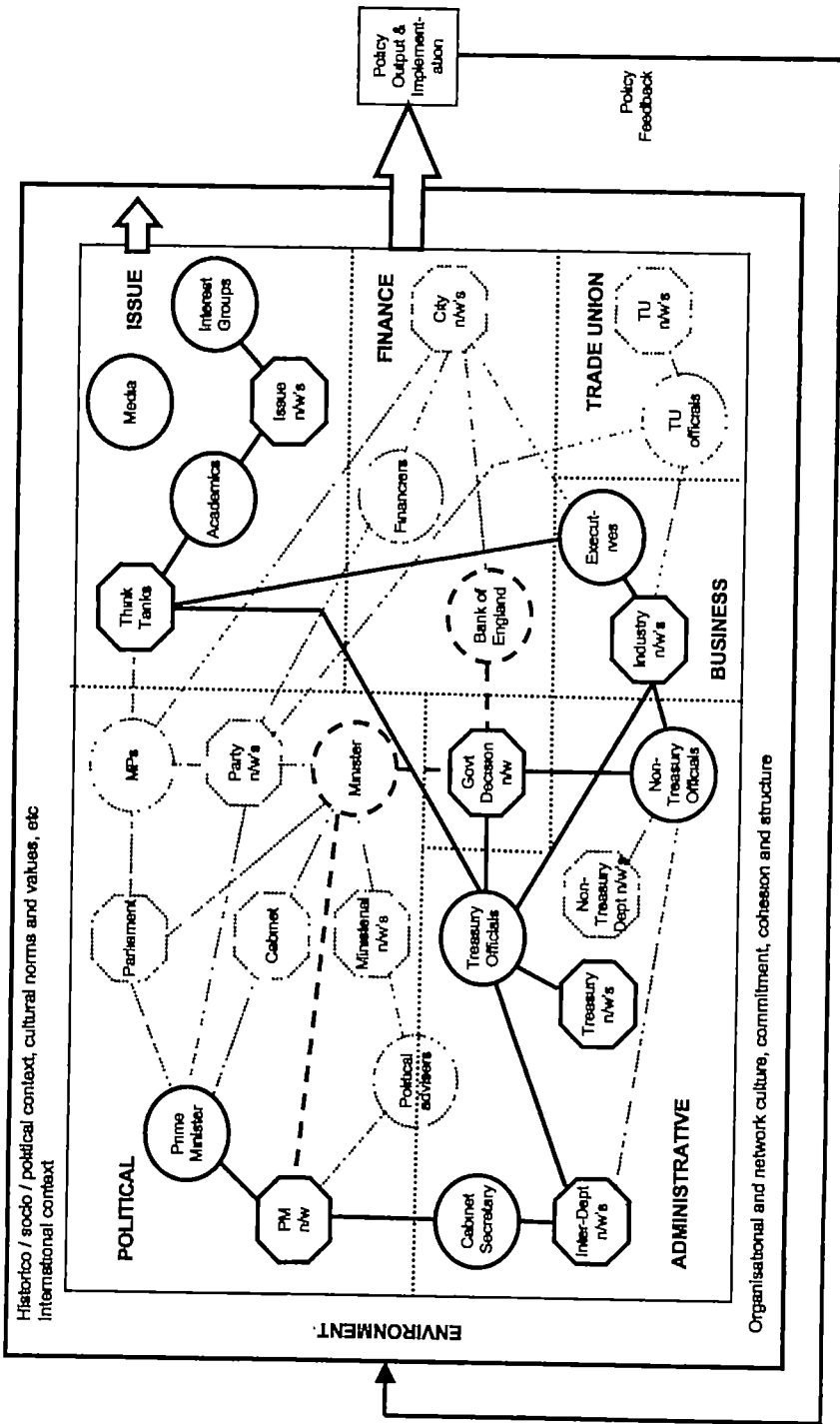
Lee to Hubback, 'The French System of Economic Planning', 05/05/61). Within the Treasury the appointment of a new Joint Permanent Secretary (Sir Frank Lee) with important links to the Board of Trade and to industry was another important factor in changing attitudes. In January 1960 Lee, with the support of the Treasury's Economic Section, began a reappraisal of the Treasury's policy on growth (PRO: T 230/523-526; T 298/334-335; and T 230/579, 3 July 1961, Hopkin to Cairncross). Out of this reappraisal came a report to the Chancellor in July 1961 that acknowledged Britain's relatively poor post-war economic performance and concluded that higher growth required a longer-term view of policy, a more active role for government in the economy and the establishment of an incomes policy to contain inflation (PRO: CAB 129/105 C(61)94).

To date, however, politicians had been notably absent from this gathering momentum for change. Yet, during a Commons debate at the end of July 1961 on the emergency deflationary measures required to meet a severe sterling crisis, the then Conservative Chancellor, Selwyn Lloyd, suddenly announced that, after 10 years of 'Conservative Freedom Works' and 'Setting the People Free' he was prepared to embrace 'planning' (*Hansard*, 25 July 1961 col. 220). He announced a compulsory 'pay pause' for public sector workers and said that shortly he intended to 'discuss urgently with both sides of industry procedures for pulling together the various processes of consultation and forecasting with a view to better co-ordination of ideas and plans'. Pressed further he conceded that this would involve five-year forward planning of consumption, government spending, and investment and would entail far more than just 'some planning board within the Treasury'.

This was an extraordinary *volte-face*, the origin of which lay not with the Cabinet or Conservative Party but in the civil service. Although the Conservative Party had set up a policy committee to consider how to improve growth this had barely started work in July 1961, and it did not report for another year (CPA: CRD 2/09/47). The explanation for Lloyd's sudden conversion to 'planning' lay with officials, and particularly in a suggestion by the deputy cabinet secretary to Macmillan only two weeks before (Ringe and Rollings 2000, p. 342). Macmillan, who had long been attracted by the idea of a 'middle way' between capitalism and socialism but had been unable to make much progress, then pressed the idea on Lloyd (PRO: PREM 11/3841, Bishop to Macmillan, 12 July 1961 and Macmillan to Selwyn Lloyd, 15 July 1961). Providentially, the Treasury report on growth was available to the Cabinet just as the run on sterling began to take off. Lloyd then used Bishop's proposals in presenting a long-term policy to the public to offset the acute short-term political embarrassment of the sterling crisis and the emergency deflation.

The advent of the Keynesian-plus era in the early 1960s was therefore a significant redirection of economic policy that was triggered by negative policy feedback. An important element in the adoption of radical new poli-

FIGURE 4 The 'great reappraisal' of British economic policy in the early 1960s



cies was the change in the general intellectual climate produced by an extensive network of financial journalists, academics and 'think-tanks'. Members of this network were also linked to the central economic policy-making community in a process of information exchange and direct lobbying. Thus, as with Hall's analysis of the shift from Keynesianism to monetarism in the 1970s, the policy shift involved the formation of an extensive meta-network (see figure 4 for its final extent). The many actors and networks involved and the complex inter-linkages between them again distinguish this meta-network from Hall's first and second order change examples. As in the 1970s, the TUC was again absent (their involvement mainly coming *after* the announcement of the new policy) but this time industry was actively involved. Most significantly, there was no significant involvement of politicians. In this case, officials provided the crucial link between the periphery of the meta-network and the central government decision-making network.

Using Hall's definition of third order change, this lack of political involvement should disqualify the adoption of Keynesian-plus policies from paradigm shift status. Certainly Hall's own analysis of the period does not categorize it as such, but instead divides the Keynesian era into three phases (demand management, incomes policy and industrial intervention) which, rather oddly, run in parallel from July 1961. Yet the extent of the meta-network revealed by the study detailed above hints at something rather more than second order change. The important difference between the 1960s and the 1970s was the willingness of officials in the core policy-making community of the 1960s to institutionalize the new policies without the need for the underlying ideas to become the subject of electoral competition (although it will be interesting to see, when they become available, what the records of the 1970s reveal about the role of officials). This willingness was due, in part, to the acceptance of these ideas by large numbers of British academics but it was linked to wider cultural changes that were at work within British society. In other words, in the early 1960s the role of ideas and of environmental change in the policy shift was perhaps even more important than in the decade to come.

CONCLUSIONS

What is distinctive about the schema is that it unites theories of policy networks and social learning – to the benefit of both. Integrating policy networks with social learning theory enhances the latter by meeting Hall's (1986, 1989, 1992 and 1993) comments on the need to combine it with a structural analysis. It also goes some way towards addressing his (1997) comment that we need better to understand how and why ideas can be persuasive, how new ideas interact with existing ideas, how policy communities respond to ideas and how ideas become institutionalized. The existence of extensive economic policy meta-networks in both the early 1960s and the late 1970s indicate, however, that Hall's concept of third order

change needs re-assessment. One solution might be to relax the definition of third order change, not least because Hall may have over-estimated the coherence of 'monetarist' economic policy during the 1980s (Oliver 1997, p. 12). The essential attribute of paradigm shift may not be a political contest and subsequent institutional consensus over what the new policy should be, but a consensus that the old policy is no longer useful – which was the case in both the early 1960s and late 1970s. Indeed this order of change might be better defined in terms of its networks: the overwhelming of a tightly bound government decision-making community, committed to outmoded policy prescriptions, by an extensive meta-network based upon an alternative policy analysis and promoting an alternative policy prescription.

Using the schema to map the networks found in the case studies has also enhanced our understanding of how policy networks operate. Firstly, the schema highlights the importance both of institutional relations and the impact of context and structure on policy making, but it also explicitly re-introduces actors into network analysis and so allows networks to overlap. Secondly, it reveals that policy networks can change their configuration and that different networks are associated with different orders of policy learning. Thirdly, it demonstrates networks can become very extensive. The status of 1960s policy shift may be debatable but the extents of the meta-networks detected in both this case, and in that of the shift from Keynesianism to monetarism in the late 1970s, are clearly contrary to Marin and Mayntz's (1991, p. 22) observation that 'only a few or not too many actors can actually inter-act with each other'. Mapping these meta-networks has revealed that actors who are seemingly peripheral to the core decision-making community can play a role, sometimes an important role, in the making of policy. If space had permitted, a sequence of 'snap-shots' could have demonstrated more clearly the fluidity of such networks. Mapping networks allows the analysis to transcend criticisms of Rhodes and Marsh's typology by replacing the labelling of network types with a more general recognition that policy networks can, over time, be many and varied in form even in the same policy area, with different extents and degrees of commitment, integration, resources, and power.

Most importantly, introducing social learning into policy network theory supplies the latter's missing internal dynamic. Allowing change to occur to the policy environment through the mechanism of policy feedback and the construction and promotion of new ideas, enables us to understand how the context within which policy networks operate can be changed both endogenously *and* exogenously.

Nevertheless, the analysis performed here indicates that policy networks do not explain change. Policy networks are not an independent variable. It is, however, clear that they are a particularly important *intermediate* variable, for change is brought about *via* policy networks. The policy network responds to feedback from prior policy, and to the new ideas which this

feedback precipitates, by changing configuration and producing new policies. New ideas, generated within a fluid and extensive network, emerge into, and change, the wider policy environment. The core decision-making community responds as a result of both this indirect stimuli and the direct stimuli which result from links forged with idea-producers and idea-transmitters in the extensive meta-network that grows during the search for a workable policy solution.

ACKNOWLEDGEMENTS

The author is very grateful to Rodney Lowe and Mark Wickham-Jones for their advice and for their constructive criticisms of earlier drafts of this paper. He is also indebted to Angela Bourne and Roger Middleton for a number of interesting suggestions and to the very perceptive comments of the two anonymous reviewers of *Public Administration*. Any errors in this final version are, however, his responsibility alone. The research for this article was carried out under ESRC award number R00429734705.

REFERENCES

- Artis, M. *et al.* 1992 'Social democracy in hard times: the economic record of the Labour government 1974–1979', *Twentieth Century British History* 3, 1, 32–58
- Bennett, C.J. and M. Howlett 1992 'The lessons of learning. reconciling theories of policy learning and policy change', *Political Sciences* 25, 275–94.
- Blom-Hansen, J. 1997 'A "new institutional" perspective on policy networks', *Public Administration* 75, 669–93
- Blythe, M. 1997 '"Any more bright ideas?" The ideational turn of comparative political economy', *Comparative Politics* 29, 229–50
- Bogason, P. and T.A.J. Toonen 1998 'Networks in public administration', *Public Administration* 76, 205–28
- Bridgen, P. (forthcoming). 'The state, redundancy pay and economic policy-making in the early 1960s', *Twentieth century British history*
- Brittan, S. 1964 *The Treasury under the Tories*. Harmondsworth: Penguin.
- Cairncross, A. 1995 *The British economy since 1945*. Oxford: Blackwell
- Cockett, R. 1995 *Thinking the unthinkable: think-tanks and the economic counter-revolution, 1931–1983*. London: Fontana
- Crouch, C. (ed.) 1979 *State and economy in contemporary capitalism*. London: Croom Helm
- Daughbjerg, C. and D. Marsh 1998 'Explaining policy outcomes integrating the policy network approach with macro-level and micro-level analysis', in Marsh (See below)
- Dowding, K. 1995. 'Model or metaphor? A critical review of the policy network approach', *Political Studies* XLIII, 136–58.
- Dunleavy, P. and R.A.W. Rhodes 1990. 'Core executive studies in Britain', *Public Administration* 68, 3–28.
- Dunleavy, P. *et al.* (eds) 1990. *Developments in British politics* 3. Basingstoke. Macmillan
- Easton, D. 1965. *A systems analysis of political life*. New York: John Wiley.
- Evans, P.B. *et al.* (eds) 1985 *Bringing the state back in*. Cambridge: Cambridge University Press
- Gamble, A. 1990 'Theories of British politics', *Political Studies* XXXVIII, 404–20
- 1990b 'The Thatcher decade in perspective', in Dunleavy *et al.* (See above)
- Gamble, A. and S.E. Walkland 1984. *The British party system and economic policy, 1945–1983 studies in adversary politics*. Oxford: Clarendon Press
- Hall, P.A. 1982. *The political dimensions of economic management a study of the formulation and implementation of macroeconomic policy in Great Britain from 1970–1979*. Harvard University: unpublished PhD thesis.
- (ed.) 1986 *Governing the economy the politics of state intervention in Britain and France*. Cambridge. Polity Press.

- . 1989. *The political power of economic ideas*. Princeton: Princeton University Press
- . 1992. 'From Keynesianism to monetarism', in Steinmo (See below).
- . 1993. 'Policy paradigms, social learning and the state: the case of economic policy-making in Britain', *Comparative Politics* April 1993, 275–96
- . 1997. 'The role of interests, institutions and ideas in the comparative political economy of the industrialized nations', in Lichbach and Zuckerman (See below)
- Hay, C. 1998. 'The tangled webs we weave: the discourse, strategy and practice of networking', in Marsh (See below).
- Heclo, H. 1974. *Modern social politics in Britain and Sweden*. London: Yale University Press
- Heclo, H. and A. Wildavsky. 1974. *The private government of public money: community and policy inside British politics*. Basingstoke: Macmillan
- Ingham, G. 1984. *Capitalism divided: the City and industry in British social development*. Basingstoke: Macmillan.
- Keegan, W. and R. Pennant-Rea. 1979. *Who runs the economy?* London: Maurice Temple Smith.
- Klijn, E. *et al.* 1995. 'Managing networks in the public sector: a theoretical study of management strategies in policy networks', *Public Administration* 73, 437–54.
- Knoepfel, P. and I. Kissling-Naf. 1998. 'Social learning in policy networks', *Policy and Politics* 26, 343–67
- Leruez, J. 1975. *Economic planning and politics in Britain*. London: Martin Robertson
- Lichbach, M.I. and A.S. Zuckerman. 1997. *Comparative politics: rationality, culture and structure*. Cambridge: Cambridge University Press
- Lipsey, R.G. 1989. *Positive economics*. London: Weidenfeld.
- Longstrech, F. 1979. 'The City, industry and the state', in Crouch (See above)
- Lowe, R. 1997. 'The core executive, modernization and the creation of PESC, 1960–64', *Public Administration* 75, 601–15.
- MacKintosh, J.P. 1977. *The British Cabinet*. London: Stevens and Sons
- Marin, B. and R. Mayntz. (ed.) 1991. *Policy networks: empirical evidence and theoretical considerations*. Frankfurt am Main: Campus
- Marsh, D. (ed.). 1998. *Comparing policy networks*. Buckingham: Open University Press
- Marsh, D. and R.A.W. Rhodes. 1992. *Policy networks in British government*. Oxford: Clarendon Press.
- Middleton, R. 1996. *Government versus the market: the growth of the public sector, economic management and British economic performance, c.1890–1979*. Cheltenham: Edward Elgar.
- Morgan, K.O. 1998. *Callaghan: a life*. Oxford: Oxford University Press.
- Oliver, M.J. 1997. *Whatever happened to monetarism: economic policy-making and social learning in the United Kingdom since 1979*. Aldershot: Ashgate
- Parsons, W. 1989. *The power of the financial press: journalism and economic opinion in Britain and America*. Aldershot: Edward Elgar.
- PEP (Political and Economics Planning). 1960. *Growth in the British economy*. London: PEP
- . 1961. 'Economic planning in France', *Planning* XXVII.
- Pepper, G. 1998. *Inside Thatcher's monetarist revolution*. Basingstoke: Macmillan
- Peters, G. 1998. 'Policy networks: myth, metaphor and reality', in Marsh (See above)
- Phillips, A.W. 1958. 'The relation between unemployment and the rate of change of money wages in the United Kingdom, 1861–1957', *Economica* XXV, 283–99.
- Rhodes, R.A.W. 1981. *Control and power in central-local government relations*. Farnborough: Gower
- . 1994. 'The hollowing out of the state', *The Political Quarterly* 15, 2, 138–51
- . 1995. 'From Prime Minister to core executive', in Rhodes and Dunleavy (See below)
- . 1995b. *The new governance*. Swindon: ESRC
- . 1997. *Understanding governance: policy networks, governance, reflexivity and accountability*. Buckingham: Open University Press.
- Rhodes, R.A.W. and Patrick Dunleavy, (eds.) 1995. *Prime Minister, Cabinet and core executive*. Basingstoke: Macmillan.
- Rollings, N. and A. Ringe. 2000. 'Responding to relative decline: the creation of the National Economic Development Council', *Economic History Review* 53, 331–353
- Shanks, M. 1961. *The stagnant society*. Harmondsworth: Penguin
- Shonfield, A. 1958. *British economic policy since the war*. Harmondsworth: Penguin

- Skocpol, T. 1985 'Bringing the state back in: strategies for analysis in current research', in Evans *et al.* (See above).
- Smith, D. 1987 *The rise and fall of monetarism*. Harmondsworth: Penguin.
- Smith, M.J. 1993. *Pressure, power and policy: state autonomy and policy networks in Britain and the United States*. London: Harvester Wheatsheaf.
- . 1998. 'Reconceptualizing the British state: theoretical and empirical challenges to central government', *Public Administration* 76, 45–72.
- Smith, M.J. *et al.* 1995 'Central government departments and the policy process' in Rhodes and Dunleavy (See above).
- Steinmo, S. *et al.* 1992. *Structuring politics: historical institutionalism in comparative analysis*. Cambridge: Cambridge University Press.
- Tomlinson, J. 1996 'Inventing "decline": the falling behind of the British economy in the post-war years', *Economic History Review* XLIX, 731–57.
- Toonen, T.A.J. 1998. 'Networks, management and institutions: public administration as "normal science"', *Public Administration* 76, 229–52.
- Wickham-Jones, M. 1992. 'Monetarism and its critics: the university economists' protest of 1981', *Political Quarterly* 63, 171–85.

Date received 9 June 1999, Date accepted 20 August 1999.

MANAGING THE BUDGETARY PROCESS IN A HUNG COUNCIL

STEVE LEACH AND SUE CHARTERIS

This paper examines the impact of a change in 1994 from majority control to no overall control on the operation of a strategic medium-term budget and policy planning process in Kirklees MBC. Six hypotheses are set out regarding the changes that might have been anticipated in the budget process, in the light of recent trends in the approach to budgeting in British local government, and the particular political context and recent political history of the authority. Use is made of a diary kept by a participant observer (who is also one of the authors) to document and analyse key events in the budget process. The six hypotheses are examined against the evidence, and with some exceptions are confirmed. It is concluded that Kirklees's well-structured budget process did survive the transition to no overall control, but not without considerable difficulty. Careful management from the Executive Board, especially in brokering discussion, was a critical factor and highly advantageous to the success of the process.

This paper examines the impact of a move from majority control to no overall control on the budget process in a local authority which was at the time operating a strategic and well-integrated budgetary and service planning process. The onset of hungness in May 1994 posed a series of challenges to the process and an analysis of the response of the authority and key actors within it is of wider interest for two main reasons.

- (i) it illustrates the extent to which more 'strategic' approaches to budgeting can be sustained following a move to no overall control;
- (ii) it provides (with the benefit of the detailed note kept by one of the authors) a blow-by-blow account of a process of internal negotiation, in which the use of tactics by key actors influenced the outcome – and in particular the interplay of different member and officer perceptions and actions.

Thus although, as with all case studies, much of the evidence and analysis is necessarily specific to one authority, the implications in this case are of much wider interest. Hung authorities have become an increasingly significant element in the local political landscape. After the May 1997 local elections, 134 or 30 per cent of all local authorities in Britain were hung (compared with figures of 16 per cent in 1981 and 27 per cent in 1991).

Steve Leach is Professor in the Department of Public Policy at De Montfort University.
Sue Charteris is Acting Director of Development in the Local Government Centre at Warwick Business School

Thus every year authorities are experiencing the transition from majority control to no overall control, which Kirklees experienced in 1994, and are faced with similar challenges of sustaining (or modifying) budget processes which operated in different (majority-control) circumstances. There is a well-established literature on local authority budget processes (emphasizing in the 1970s the resilience of incrementalism) but little in the way of recent empirical work which has considered the impact of the radical changes in the operating environment of local government since 1987 (for example, Compulsory Competitive Tendering, universal council tax capping) on such processes. This case study provides an opportunity to examine, in one authority, the recent history of approaches to budgeting in this context. Furthermore, the role of participant observer, played by one of the authors, provides a rare opportunity to follow through 'from the inside' the interplay of political and professional actors in relation to the budget process.

The paper is structured in the following way. First a brief theoretical review of the literature on local authority budgetary processes is related to the literature on hung authorities. Secondly, a brief account is provided of the development of the integrated, strategic budget process in Kirklees, relating its development to its specific political and constitutional context and history. From these two pieces of analysis a series of hypotheses are developed testing out what might have been expected to happen to the budget process in Kirklees in 1994–95. The experience of the budget process in Kirklees is then set out, drawing on the personal diary kept by one of the authors, and is interpreted in the light of these hypotheses. The account set out in the case study section based on the diary has been verified as accurate by two other key actors in the process: the Leader of the Council and the then Chief Executive. Finally, some more general conclusions about the impact of a move to no overall control on budget processes, in the current circumstances of British local government, are discussed.

A REVIEW OF LOCAL AUTHORITY BUDGETARY PROCESSES

In both local and central government, the setting of the budget is widely and justifiably regarded as the single most significant process and decision which is made by a local authority during the course of the municipal year. Individual political decisions may be more controversial – for example the announcement of a programme of schools closures. However, the crucial nature of budget-setting lies in its *comprehensiveness*; real choices have to be made between different possibilities for new expenditure, or in the current circumstances, expenditure cuts. Because resources are always 'limited', the budget process forces a local authority to *prioritize* from the various policies and activities it wishes to initiate or continue. In hung councils it accentuates the differences between the different party policies.

The centrality of the annual budget process in national and local democratic bodies has long been recognized in academic writing and research.

The work of Wildavsky (1979) on the federal budget has proved of considerable influence in the British context, as has the study carried out by Heclo and Wildavsky (1974) on the budget process at national government level in Britain. In particular, Wildavsky's theory of incremental budgeting has influenced a generation of British researchers who identified incrementalism as a dominant process in British local government from the mid-1970s onwards. Subsequent work by other authors confirmed incrementalism as the dominant paradigm (Greenwood 1983, 1987; Midwinter 1984) and two collections of case-studies published in the late 1980s, based on research in the 1985–87 period, painted a similar picture although with many interesting local variations (Elcock and Jordan (eds.) 1987; Elcock, Jordan and Midwinter 1989). Since then, with a few isolated exceptions (Griffiths 1989; Pinch 1995) there has been little research on the budget process in British local authorities. Little is known, therefore, about the 1988–1997 period, and in particular about whether any significant changes in orientation have taken place within British local authority budgetary processes in response to the major changes in the financial environment and internal operations of local authorities during this period. It is our view that the very nature of these external and internal 'exogenous' factors are likely to have transformed the nature of the budget process within local authorities, and in particular, to have challenged the traditional resilience of incremental approaches. There have in particular been two major changes with potential transformatory impacts.

The different order of magnitude of financial constraint facing local authorities since 1987

Although the budgetary literature of the 1980s is full of reference to 'financial crisis' amongst local authorities (Greenwood 1987; Elcock and Jordan (eds.) 1987), with the benefit of hindsight, the nomenclature was premature in the light of subsequent developments. Until 1989/89, rate-capping (i.e. the explicit control of individual local authority budgets by the government) was operated on a selective basis each year, with only a dozen or so councils singled out for 'capping'. In 1989/90 capping criteria were announced before budget-setting (Wilson, Game *et al.* 1994). Only as recently as 1990/91 was community-charge (and hence *de facto* expenditure) capping applied to all councils with budgets over £15 million (amended to 21 million in 1991/92) and only in 1992/93 was expenditure capping made universal. Thus the imposition of expenditure limits on an individual council was applied selectively in the 1980s, but comprehensively from the early 1990s. By the mid-1990s the scale of budget cuts necessitated by this combination of measures was such as to merit the term 'budgetary crisis'. 'Budgetary famine' is one of the circumstances in which incremental budgeting has been found to be most likely to break down (see Danziger 1978).

The increased use by local authorities of corporate strategies

The explicit identification, in advance of the budget process of a set of corporate priorities against which individual bids for expenditure can be assessed is normally regarded as a necessary condition for the introduction of more rational approaches to budget-setting (Caulfield and Schultz 1989). Recent surveys (Ennals and O'Brien 1990; Young and Mills 1996) provide increasing evidence of explicit authority-wide priority-setting. This move has been inspired, *inter alia*, by a concern with the hard choices facing local authorities in an increasingly austere financial climate (Collinge and Leach 1995). Thus in addition to *external* pressures of budgeting famine, there are the *internal* initiatives of corporate strategy formulation which are together increasingly likely to be stimulating a challenge to familiar incremental budgetary processes. For these reasons – increasing severity of budgetary constraint and increasing use of corporate strategies – we regard it as likely that the dominance of incremental budgetary processes within British local government has been challenged.

These two related developments – deepening financial crisis and increased explicit development of corporate strategies – are thus likely to have combined to change the balance between 'incremental' and 'strategic' approaches to budget setting in favour of the latter. But a further issue is raised by the increase since the mid-1980s in the number of hung (or balanced) authorities. Does the lack of a majority party make it more – or less – likely that local authorities facing increasingly hard budgetary choices will in some way make use of a corporate strategy to help them make such choices? Or (in the particular context of Kirklees), does the onset of hungness make it more likely that an existing strategy-based system will be diluted or even abandoned?

In the 1980s, the conventional wisdom was that the onset of hungness would be likely to have this dilutory effect (see Blowers 1987), because of the greater difficulty of generating the necessary inter-party commitment to any kind of strategic starting point. However, since the early 1990s the political climate of balanced authorities has changed significantly (see Leach and Stewart (1993, 1994)). There has been an increasing move towards 'joint administrations'. Leach and Pratchett (1996) distinguish between 'integrated' and 'fragmented' hung authorities. Integrated hung authorities are those where there is a relatively high degree of common ground amongst two of the major parties in relation to policy, decision-making procedures or more typically both. Integrated hung authorities may operate on the basis of shared chairs (which at one end of the spectrum reflect a *de facto* coalition), a minority administration or *ad hoc*/rotating chairs (no administration). It matters little to the prospects of the development (or retention) of a strategic approach to the budget.

Even in fragmented hung authorities where the requisite level of inter-party co-operation in policy and/or procedural terms is absent, incremental budgeting may equally be perceived as unsatisfactory. The political uncer-

tainty, the year-by-year inter-party negotiations and (in some cases) the antipathy to the policy of the erstwhile majority party are all unlikely to prove compatible with the gradualism inherent in incremental budgeting processes. Having said this, to be non-incremental is *not* necessarily to be strategic; and the explicit agreement by two or more parties of strategic priorities is certainly difficult to engender or -sustain in fragmented hung authorities (Leach and Pratchett 1996).

It follows that one of the crucial elements in predicting or analysing changes in budgetary approach when Kirklees became hung is the *type* of hung authority Kirklees was in 1994–95. Was it integrated or fragmented? Which party supported which other party and on what terms?

Kirklees: The Political and Budgetary Context 1986–94

Kirklees in West Yorkshire is the seventh largest metropolitan council by population (380,000). It covers the Pennine former wool towns of Huddersfield, Dewsbury, and Batley, as well as a number of smaller towns and villages including the rural communities in the Holme and Colne valleys. It came artificially into being in the local government reorganization in 1974, serving communities that had no prior community links.

Kirklees although Labour-controlled for much of its (post 1974) existence experienced a period of no overall control between 1987 and late 1989. The budget process, during this period, was not untypical of the more unstable and fragmented type of hung authority. Leach and Stewart (1992, p. 191) describe it in the following terms 'the budget meetings were particularly long and unwieldy, with little or no attempt by any of the parties to establish common ground beforehand'. The five-year period of majority Labour control (1989–94) saw some substantial innovation in the council's political and managerial structures and processes, and its organizational culture.

The Leader of the Council since 1986 was John Harman, previously Chair of the Finance Committee on West Yorkshire County Council. He was convinced that a fundamentally different approach to managing the authority was needed. The appointment of Robert Hughes as Chief Executive in 1988 found the coalition of leadership needed to see the changes through. The previous directorate system hallmarked by rampant departmentalism was replaced by five new executive directors, each with a strategic brief and management portfolio working with the Chief Executive to form an Executive Board. This change was mirrored politically at majority group level by an 'informal' Policy Board, of committee chairs, chaired by the Leader. The Executive Board were to be responsible for the strategic management of the authority; while all 32 heads of service were to be responsible for the 'day-to-day' management of services. The executive directors would be recruited for their combination of strategic skills rather than departmental experience, with the aim of making a major cultural shift towards corporate working.

Alongside the major themes of community regeneration, a flourishing

economy, and creating a sustainable environment, was the introduction of a policy-led budgetary process, achieved by the Executive Board collectively and robustly co-ordinating the process. This change meant a much more interventionist policy dimension, with three key levers or incentives introduced to support the political process.

Firstly, a number of corporate budgets were created in a 'top-slicing' to facilitate new project work in members' priority policy committees such as anti-poverty, community safety, where there was a need for a council-wide impetus. This budget started as a sum of £40k in 1987/9, and by 1994/5 formed 1.5 per cent of the council's net revenue. The second main change during the budgeting planning process, was to allocate the remainder of the revenue budget in the form of 'planning' totals. From the second year into this new process 1992/3, these were allocated at 'activity' level, not departmental; for example the education budget would comprise a series of activity budgets, from special educational needs to school meals. Each required a separate statement of justification from the head of service on resources provisionally earmarked for that service. These translated into committee documents and subsequently as service plans.

Another key role of the Executive Board, during the budget process was to ensure that 'protectionist' behaviour between committee chairs and chief officers was not rewarded. This was an increasing expectation placed on the board by the political leadership.

The process of allocating planning totals gradually became more sophisticated and were issued to managers following a process of determining priorities, known as 'skewing'. Essentially skewing was a pre-determined attempt to assess demographic, legislative and other volume changes; for example, the increase or decrease in a particular client group, and potential efficiency savings. This analysis was fed into the political process. The majority group would then transform this analysis into a political proposal, for example in order to increase community development spending the activity would be given a 'positive' skew against the trend of the budget as a whole. The process for guiding this through debate was in the form of a 'conference' with majority group members and the Executive Board. Similar budget conference opportunities were given to the opposition groups; but these opportunities tended to be more in the form of a briefing on the council's overall position than a working meeting. They tended in reality only to get involved in developing the budget strategy after the Labour administration had published its proposal. The Executive Board were conscious that the increasing 'sophistication' of the budget process was shared by relatively few elected members; and this became of critical significance in the following year.

In May 1994, after a four-year period of development and modification of the integrated budgeting and service planning system, the council became hung. After the election, Labour held 35 of the 72 council seats, the Conservatives 21, the Liberal Democrats 15 and the Independents 1. Labour

were thus two seats short of an overall majority. To understand the response of the other parties to this election result it is important to appreciate some of the perceived reasons for Labour's loss of power.

In the preceding March, the Labour Group had decided that in the long-term interests of the council, and to protect the council's spending base, it was most prudent to spend at the capping limit (the maximum permitted by government). This spending level did, however, necessitate a very high rise in council tax of 13.6 per cent. This strategy depended on the use of balances of £4m as part of a three year budget strategy, which showed a continued use of balances on a decreasing basis over the next two years.

So, the council entered the new municipal year (1994/5) with a relatively stable financial position, a three year budget strategy which did not involve significant rises in taxes in the next two years (3 per cent and 2 per cent predicted), but Labour had lost overall control. There was considerable subsequent press speculation as to whether the large increase in council tax had been the significant factor in Labour losing control. In fact the change in the balance of the council was not a surprise, since Labour was defending seats won in poll tax year (1990) and it would have taken a very significant swing towards Labour to secure those positions.

After much initial confusion, Labour did secure the chairmanship on committees, although they were not perceived as the administration. There were no inter-party pacts, a situation which followed the Kirklees tradition of avoidance of such co-operative arrangements. The role of a single Independent councillor was, however, critical to this outcome. How she would vote on key budget decisions throughout the year - and most crucially during the budget discussions of March 1995 - would clearly be crucial to the Labour group's hopes of getting their budget through the council. At the first council meeting she had voted with Labour on all key decisions, including a vote against a Conservative-sponsored amendment to reduce the council tax. However, she had also made it plain that she would vote on all matters 'on their merits'.

The 1995-96 Budget: Some Hypotheses

The 1994-95 budgetary cycle commenced, therefore, in the following circumstances:

- (i) A Labour group committed to the continuation of an integrated strategic budgeting and service planning system, but now unable to ensure its continuation because of loss of overall control.
- (ii) An Executive Board equally committed to this process.
- (iii) A history of recent attempts by the Executive Board to involve the (then) minority parties in the budget process.
- (iv) A perception amongst opposition parties that Labour's local *taxation* policy (rather than the budgetary system itself) had contributed to their electoral defeat.

- (v) A 'fragmented' hung situation, with no inter-party pacts or deals – but with the behaviour of the single independent councillor recognized as a crucial factor.

The situation became further complicated when in October 1994, a Labour councillor resigned the Labour whip and joined the other independent member to form a group of two (entitled to their own budget advice, and with the ability to move their own proposals). In these circumstances, drawing on the literature on hung authorities and budgetary processes (see above) we would hypothesize the following characteristics of the operation of the budget process in Kirklees, during the 1994–95 municipal year.

- (i) Because of the fragmented nature of the hung situation, the co-operation of two (or more) parties in the development of budget proposals was unlikely. The implication was that there would be a last-minute inter-party bargaining process.
- (ii) Because of the continuing commitment of the Executive Board to the budgetary planning process, and its position as 'established practice' there was a high probability that inter-party discussion and negotiations would be structured and informed by this planning process, so long as its legitimacy was accepted by all the major parties.
- (iii) The budgetary process was likely to become more 'costs'-led (and correspondingly less 'policy'-led) reflecting the perceived reasons for Labour's electoral defeat, and making a long-term strategy more difficult to achieve.
- (iv) Informal leadership roles amongst officers and politicians would continue to be crucial in determining the extent to which the existing budgetary system was retained or discarded.
- (v) The Policy Board (now all-party rather than single party) would cease to be an effective informal decision arena for key options (budgetary and otherwise).
- (vi) The strategic management structure would reduce the possibility of the re-emergence of inter-committee competitive bidding.

These six propositions all involve plausible interpretations of the impact of the hung situation on the budgetary process in the specific circumstances of Kirklees. The next section examines what actually happened, and the usefulness of these explanations.

THE 1994–95 BUDGET PROCESS: KEY EVENTS

Reducing the council's 1994–95 tax level

As part of the May 1994 Election campaign, the Conservative and Liberal groups had given a public commitment to 'rebate' the council tax levels, set by Labour in March 1994, during the current year. The first issue which arose was how to respond to these commitments. A key mechanism which the Labour leadership had previously promoted through council was a res-

olution to the effect that if any party wanted to change the council's existing policies, they must first process their request through the Executive Board, which would advise on the proposals prior to it being considered by a council committee. In practice, this amendment ensured the Executive Board would be in a position to advise the newly established Policy Board on the implications of any proposal. This amendment was to prove critical to the effective running of the authority and especially the budget process.

Towards the second council meeting (July 1994) there was much speculation within the Liberal Democratic group, about whether the Conservatives would try again to press for a reduction in tax levels. The Executive Board advised that any such amendment, would amount to a change in policy, since the budget strategy outlined in papers to council in March 1994 had set out a phased strategy for the use of balances and the policy programmes dependent on that budget had been set. A further debate did not materialize.

One key feature of the council becoming hung was the disappearance of all certainty. Officers constantly needed guidance on what was and was not council policy. The role of the Executive Board was critical in stating and re-stating to officers, including heads of service, that the existing policies of the council prevailed until such time as they were changed. The fact that these policies had been the policies of a majority group was irrelevant. They had become council policies upon being implemented through formal decision-making machinery whatever the circumstances.

Kick-starting the 1995–96 budgetary planning process

Energies now turned to planning for 1995–96 financial year. The Executive Board decided to stimulate an early debate with the key protagonists about how the budget process would be conducted.

One of the strengths of the previous administration's decision-making machinery had been a Policy Board of chairs meeting with the Executive Board. The forum was used as a 'clearing house' for sensitive discussions, and a sub-group of the forum known as the Budget Core Group (the Leader, Deputy Leader and Chair of Resources) guided the budget process through the group. This core was replaced by an all-party Policy Board comprising the Leader and resource spokespersons and members of all three other groups.

The first meeting of the new Policy Board in mid-June received a report from the Executive Board and the Chief Finance Officer proposing a programme for the budget strategy. The paper argued for collaboration between the parties, at least in the early stages to see what common ground was possible. It sought support for the continued use of the methodology for setting the budget. This process included an early statement of political priorities being hammered out by the administration. It was this feature which the other parties had not been a 'party' to in the past. Their strategies had seemingly been more reactive and finance led. The key question for

the officers was what, if any, aspects of the process could survive. Were there to be three parallel processes, or was everything to be conducted at the last minute, after central government expenditure decisions had been announced?

Perhaps no such issue as the budget highlights the tensions in a 'hung' council situation between the officer and member perspectives. The primary concerns of the Executive Director and her team was the survival of sound decision making, continuity and reasonableness and the problem of work overload if three duplicate processes were to be attempted. Officers started from the premise that the parties might be able to agree in advance on many relative priorities for resourcing. Those members who had thought about it at the initial discussion probably started from the premise that the parties must demonstrate their differences and accentuate those rather than seek more common ground.

When these proposals were debated at the all-party Policy Board, officers were unsurprisingly portrayed as naive idealists. However, it emerged clearly that the critical decision for the coming year was going to be the level of council tax. It was highly unlikely that the parties would declare their hand on this issue until much later in the year. Without the core assumption that the council would continue to spend up to its expenditure limits (the 'cap'), it was clearly impossible to only have one set of preliminary planning totals. However, a tenuous consensus was reached at the end of the meeting that all parties would use the same process and receive *joint* briefings on the overall budget supplemented by separate party briefings as requested and that a start would be made to elaborate policy priorities. Seminars were then arranged for each party group separately to get the process under way.

Working with the Labour Group (September and October)

The Labour Group decided to re-establish their Budget Core Group. In the past, this group is where the overall shape of the budget had been decided. This time, however, the leadership's budget was unlikely to be adopted by council, which provided all the more reason for the basic assumptions to be as sound as possible.

The Leader of the Labour group wanted to encourage them to settle their strategy early, and come out saying what it was, rather than waiting for the other parties to announce their hand. There was a growing feeling at officer level that the other parties would keep their powder dry in relation to the budget strategy; whether because they were unfamiliar with the processes, or preferred 'last minute' politics, was far from clear.

At the Labour Group seminar the Chief Finance Officer produced a 'scoreboard' diagram of the numerous permutations possible of the options of service reductions, use of balances and the impact on the council tax which helped members to focus their minds on options. Each executive director then set out an explicit scenario of the key themes which emerged from

the time spent with heads of service identifying service pressures. The capacity to distil issues presented without plea bargaining from specific service interests was a real strength of the Executive Board. Emphasis was placed on the impact of compulsory tendering, on the viability of the direct service organizations and the work on the reduction of central support costs. The key issue for the Labour Group was harmonization of terms and conditions for staff. There was a general view not to seek to make major shifts of expenditure between committee activity areas.

The seminar was presented with an officer exemplification of the budget process as it had operated in previous years. The board's view was that there were no objective indicators by which to determine which resources should be particularly protected or made to suffer disproportionately so the officer budget would essentially be 'an equal distribution of pain'. The Labour Group were comfortable with the assumptions undertaken by the board.

The Executive Board and the Chief Finance Officer were conscious that they might be seen to be doing the Labour Group's budget in much the same way as previously. Yet it is not surprising the Executive Board planning totals and the Labour Group philosophy were not far apart, given that no alternative policies had been pursued by council in the five months the council had been hung.

Working with the Liberal Democrats and Conservatives (September and October 1994)

A preliminary briefing on the methodology of the skewing process had been provided for the Liberal Democrat Group prior to the formal seminar run by the Executive Board. In the seminar, it proved difficult to elicit clear policy priorities, beyond a very strong commitment to school-based education. One-off comments had indicated that they are willing to see some functions sacrificed entirely in order to fund these priorities but they had not told the officers *which* services. There was still great play being made about 'efficiency savings'. The Executive Board's response was that many of these savings had been reviewed on the basis of *identified* areas, but that the Board would not be prepared to set budgets on the basis of *unspecified* efficiency savings. The main area where officers noticed a change in officer/member relations was the Liberal Democrat Group's assumption that all the officers had come into the meeting to defend their relative territorial positions. This assumption reflected an understandable mistrust of officers reflecting in turn a lack of previous involvement in the budget process on the part of the Liberal Democratic Group. The Liberal Democrats gave the task of developing budget priorities and their skewing matrix to their finance spokesperson. An accountant by background, he saw the process as fiscally (tax-based) led. He appeared to be more comfortable talking to the Chief Finance Officer than the Executive Board. Although the group did not go back on their overall priorities, the Finance Spokesperson and

the Chief Finance Officer had discussions about a tax figure and the Liberal Democrat shadow chairs had held discussions with heads of service to establish relative priorities at service level.

At the Conservative Group seminar, there were long discussions on section 11 funding and additional educational needs. The influence of women in the Conservative Group was strong, particularly from one who was the sitting MP's constituency secretary. Her suggestion that the MPs should be invited to an early briefing was subsequently agreed by all parties.

The Policy Board and group awareness of separate strategies

The next step was the Special Policy Board on the budget held in mid-October. The Executive Board's report outlined a proposed strategy and recommendations following from the report that was tabled in June. This proposed that the Executive Board would prepare a budget based on spending at the cap, with all activities taking an equal level of savings; so that all political groups could work alternate proposals using this as a bedrock 'marker'.

At the meeting, the officers explained to the elected members that they, the officers now recognized that the idea of one set of planning totals emerging at this stage out of some sort of consensus between the parties was unrealistic. However, they did continue to suggest that there might be *some* areas which members would collectively identify as priorities. All that the members would agree, however, was that the Executive Board should bring forward a number of issues that were topical and sensitive (for example the potential closure of public conveniences), at an early stage, when some sort of policy review was needed. Beyond that, all groups were clearly going to keep their strategies confidential for as long as possible. Officers also made it clear that groups did not have long to communicate with them about their ultimate intentions in respect of the budget. What was critical was that officers knew what their policy priorities were, in order to be able to undertake sufficient modelling work for them.

A few days later the Department of Environment announcement on the grant settlement contained further bad news for Kirklees; the council had lost a further £0.9m over last year. The cap has been reduced by approximately the same amount from the anticipated expenditure level of £291m. However, the situation was even more serious since overall authorities had been permitted to spend an additional 0.5 per cent. Thus against the norm by which other local authorities are judged, Kirklees had lost £3m. The effect was a further 9 per cent increase. An increase in council tax of approximately 2 per cent, just above inflation had been predicted. In other words the announcement had probably made the existing budget strategy quite impossible. The prudent use of balances over 3 years which the District Auditor had praised Kirklees for (quite apart from the political attraction) now looked unsustainable. The news was broken to the Leader of the Council and other group leaders. There was a broad consensus at

political levels across the parties that the settlement was not fair for Kirklees. There was very good press coverage from local and national press which took the line that a well-managed Council like Kirklees had suffered unfairly. A further problem was that there was still no real strategy emerging from the 'opposition parties'.

The end-of-year position

At a briefing meeting arranged for the voluntary sector, chamber of commerce, head teachers, and local authority unions, the Labour Leader made a very clear statement – for the first time in public – that a 9 per cent council tax increase was more than the public could bear. There was no dissent from the Conservative Group, but it became clear that the Labour Group was highly unlikely to spend at the cap. The Labour Leader openly discussed with those present the dilemmas of 'throwing balances' at the problem – do we use council reserves to maintain service levels or to reduce the level of council tax? He made it clear that he did not regard the use of balances to maintain expenditure as a prudent strategy, since it would be storing up problems for future years.

By mid-December the Labour Group had still not chosen to declare its hand. It was not even clear that they would put up a motion on the budget. It was clearly not in their interest for their position to be understood by the other two parties. Neither was it an absolute secret. The question was where would the other two parties go?

The Chief Executive made it clear that the Executive Board's view was that it would not advise members to continue to spend at the cap, given the tax implications. The Chief Finance Officer had the task of reminding members of the implications for future years, namely it would drive down the council's base expenditure even further. There was still no firm guidance from the Liberal Democrats or the Conservatives. The Labour Group was using the Executive Board strategy, for planning purposes only and did not want any further modelling done at this stage.

The Liberal Democrats finance spokesperson, having done his calculations, sent their proposals for budget reductions to the Chief Finance Officer. These identified exemptions of a 7.5 per cent reduction across the board with the exception of the aggregate schools budget which they wanted to protect with minimal reductions. Officers were 'surprised' to receive this proposal which extended beyond the earlier assumptions which had been made. The Leader of the Liberal Democrat Group subsequently added the probability that the group would in addition want to protect social services.

Progress within the Executive Board

Previously at this stage the members' budget review group had met with chief officers to look at their draft budgets, usually with the Executive Board all present. This time it was just the Executive Board which met. The day

before the budget meeting a motion was passed at council which constituted a moratorium on all staff appointments and included a resolution proposing 'a wide ranging review of the Senior Management structure of the Council' with a working party to report on the costs and savings to be achieved by the abolition of the board and the redeployment of its members. This motion cast a cloud over the budget meeting. In the absence of a clear political steer the Executive Board had asked heads of service to identify three year planning totals and to identify the impact of three levels of savings; first 3.5 per cent savings (which would deliver the 'Executive Board' budget), secondly between 4 and 6 per cent savings and thirdly 7.5 per cent (Liberal Democrat Group). It was acknowledged that given the lateness of the request from the Liberal Democrat Groups and that no guidance had formally been received from the Conservative Group, that the information would necessarily be incomplete.

With the exception of Education, all services were able to accommodate 3.5 per cent reductions – reflecting work they had already been undertaking. Many services had been negotiating costs downwards and making efficiency savings. They had been managing vacancies and slowing down on expenditure where possible. For this reason it happened that balances would be higher than had been anticipated. There was also some good news on tax collection where reduced arrears meant a further reduction in the tax levels was possible. So, the tax rise within the 'Executive Board' planning was now 4 per cent (assuming spending under the cap).

The proposals for Education, however, given the desire to protect the schools budget meant some significant inroads into discretionary educational areas, for example, further education awards, which would have knock-on effects on the Kirklees Passport – a residents-card discounting scheme designed to attract take up of council services whilst protecting the poorest residents. Because an 'unskewed' budget had been done it appeared that certain services (including the central support services) particularly those which could raise income would be well able to meet the original planning totals whereas others had no room for manoeuvre. Although Social Services had experienced difficulties in meeting the planning total, the size of their budget and the flexibility this size gave provided an advantage which was no longer available to Education.

The Labour Group seminar 23 January 1995

The Executive Director of Corporate Resources outlined the proposal for the Executive Board to do a 'bureaucrat's budget' as a 'stalking horse', to anticipate 'room' for political manoeuvre. John Harman, the Labour leader, then commented on the view made by the government minister David Curry that government was expecting councils to use 'reserves' in this budget round. Allegedly, the Department of Environment would not have much bargaining power with the rest of the government until the balances overall in local government were infinitely less.

It became clear that it would be necessary for all groups to update the three year strategies available to them incorporating their scenarios regarding the use of balances and council tax levels. The Finance Department had done a ready reckoner and the permutations were almost infinite. The Executive Board's draft budget did show significant savings of £1m which were available for reallocation by groups in different ways.

The Executive Board proposals identified a number of major changes like closures in small libraries and cuts in the mobile library service, all unpalatable to politicians of all parties. The same had happened in all political groups, – the more localized the item, the greater individual knowledge, the greater the debate. The political sensitivity of the choices in Education invariably had generated much less verbal feedback than choices about whether you mow green areas on housing estates weekly or monthly. There were many questions for the board on what the District Auditor's view would be about the use of balances? To demonstrate Kirklees' 'good house-keeping' it was necessary to set out what measures it would take to prepare for inevitably higher level of reductions the year after and the year after that, given that the previous published strategy would have meant small rises in tax. On the other hand, was that strategy already impractical? By the end of the meeting the Labour Group's intentions were still not clear.

The Liberal Democrat Group seminar 25 January 1995

The Executive Board went through the budget scenario pointing out the implications even though the situation facing members' groups was extremely serious. Some of the proposed 7.5 per cent reduction affected officers' statutory responsibilities. Officers had to make it clear that they could not advise members to make reductions in certain areas – for example Child Protection, Environmental Health – to the level proposed. Quite properly the groups were using these meetings to listen to officers and ask questions rather than engaging in political debate.

Although the board's relationships with the Liberal Democrat Group had now become much more established, there were a number of occasions during this debate where the Executive Board's advice on the achievability of delivering savings in the first year of a major policy change was questioned. All parties had recognized that, if they wanted to make very significant reductions, the Executive Board would insist on advising council that adequate contingency provisions for redundancy and other severance costs should be made.

Members were advised that in the worst case scenario, officers would have to advise against a potentially 'illegal' budget. The other main justification for intervention would have been if some of the savings were regarded as *imprudent* in terms of not *being deliverable in the year ahead*. The officers had made it clear that they would advise strongly against the inclusion of 'savings' of this nature.

The Conservative Group seminar – 31 January 1995

The Conservative spokesperson's budget proposals arrived in January. It identified major shifts in policy direction and showed significant reductions in certain service areas, mainly to protect the Education budget. However, the impact of delegating support cost budgets to services was not recognized in the Conservative budget, resulting in proposed savings in central support costs being double counted.

At the Conservative Group budget seminar, the Conservative Group budget proposals were discussed in detail. They involved a re-direction of expenditure which the Chief Executive had to advise members could not be achieved within the scope of one municipal year. The most striking effect of the Conservative budget however related to support services. Support services proved a controversial area right through the budget process because of delegated support costs to service budgets. The current rules were that the council would take the same reduction as all other services, and that any further reduction had to be negotiated between the client and provider at service level. But these rules were creating serious tensions. The Conservative group's initial proposals sought further reductions over and above those identified by the Executive Board. This initiative led to some discrepant and differential effects on support services ranging from additional 2 per cent savings to 27 per cent savings, because of the vagaries of budget mechanisms.

It was at this seminar that the Conservative Group had first seen the overall effects of their budget submission. In other words there had not been prior political debate about these relative priorities and relative effects. It became clear that it was necessary for the finance spokespersons and the leadership of the groups to have further discussions with all chairs and come up with an amended package.

By the end of January the distinctiveness of the different party proposals were beginning to blur. The need to be absolutely discreet in commenting on the effects of proposals and not divulging the effects of other party's budgets to interested members from the other groups was taking its toll. Presentations containing a variety of options for political groups required extremely careful handling to make sure that inappropriate information was not presented to members who might wish to find out what the other groups' thinking was.

The publication of the Executive Board budget

After the party group seminars it was agreed that the Executive Board budget should be published in the form of a press release. Meanwhile, the Executive Board had omitted, in the pressures of the moment, to contact the two independent members and remind them that they too were entitled to produce their own budget, now that they constituted a political 'group' and these meetings had to be fitted in at the last moment.

Over this period, there were daily meetings of the Executive Board with

the Chief Finance Officer every morning. The Executive Board budget was published a few days prior to the Policy Committee's budget meeting on 13 February. The Executive Board's 'stalking horse' budget was based on spending at the cap and a pro-rata impact of reductions across all service activity areas. This feature obviously had effects that were not acceptable to any political party. However, it was the only way of presenting something for groups to move their proposals against. The Executive Board were conscious that there were controversial areas within this budget – for example the cessation of school clothing grants – which were not likely to be acceptable to any of the groups. The lack of protection in the aggregate schools budget was also unlikely to be acceptable. What the Executive Board did try to do however, was to ensure that there was some leeway in the budget. The normal £1m for prospective new developments had been built in and was unallocated. So political groups could look at three main areas for savings: firstly to work savings against the officer budget; secondly, they could also look at council tax levels; and thirdly the use of balances. The Executive Board proposals were firmly based on a three-year phased use of balances on the basis that had been presented to Policy Committee the year previously.

At this stage it was tempting to officers to amend the Executive Board budget, since it was known that various proposals were neither sensible nor likely to be acceptable. This change would however have resulted in the Executive Board being seen as a fifth political party rather than 'neutral bureaucrats'. Despite the fears of public criticism the press actually handled the Executive Board budget quite sympathetically, making it clear that the board's proposal would *not* actually be implemented.

Final political manoeuvrings

What was most important was to move away from a situation where the Labour group would put up its budget first, prior to council day, and that other parties would then move their budgets against it. It was by no means certain that the Labour Group would be prepared to declare their hand in that way. It was therefore decided at the meeting between the Chief Executive and the Leaders of the three major groups, the Leader, seconded by the Leader of the Conservative Group, would move the Executive Board budget, then all party groups would all move amendments against the Executive Board budget. *This convention was agreed.* The area of concern which was there right up to the last moment was that the Independent Group would fail to submit their budget. They actually worked with the Chief Finance Officer on their budget proposal up to the last possible day and then quite cleverly moved a council tax and spending level without specifying the detail.

The Labour Group decided to go early on their budget proposals with other parties following on. Then there was the usual press discussion about the various proposals. There was also a key meeting between the main

three political parties and the Executive Board held prior to budget council on 23 February where they were able to cross-question the board on the board's own proposals and ask for explanations on one another's proposals, to ensure that everyone was clear what common premises had been adopted in submitting the budgets and constructing them.

It is worth emphasizing how much work goes on in the last few days prior to the budget meeting. There were days when Executive Board members literally travelled from one political meeting to another, in a frenetic fashion, trying to get the business done. Everybody, including the members, worked extremely hard and in good spirits.

The final budget meeting

The council meeting itself on 1 March was something of an anti-climax since all the amendments to the Executive Board budget were defeated fairly early on and then the negotiations started in earnest. The occasion was well planned, ensuring plenty of refreshments, meeting rooms to sit and deliberate in confidence, and private space for the Executive Board and the Press Officer to retreat to. The board and the Chief Finance Officer were on hand to deal with any requests for information about combining budgets. For example, there was a meeting between the Labour Group spokespersons and the Conservative Group spokespersons to see if there was any room for manoeuvre. In the end the leading light of the Independent Group, produced a list of savings which he wanted to see happen, as an amendment to the Labour Group motion. If the Labour Group were to agree to his amendments, then he would vote for theirs. In so far as it protected their overall priorities, this option was the most satisfactory to the largest party, if the discussion could be successfully brokered. At this stage it was difficult for the officers to accurately quantify the effects on services of certain changes. The amendments proposed were specific and basically his personal views on certain aspects of majority group policy, which he either perceived as controversial or superfluous, for example – money for international liaison, money for Kirklees Passport and corporate policy staff. The budget did proceed subject to such amendments. A workable budget was passed by the council at around 1.30 am, which was regarded as a satisfactory outcome.

CONCLUSIONS AND REFLECTIONS

The 'blow-by-blow' account of the 1994–95 budget process in Kirklees confirms most of the expectations set out in our hypotheses. The structural nature of the budget process which had been established between 1990 and 1994 *did* survive the transition to no overall control (proposition 2), although its survival was by no means without difficulties. Although the Labour Group remained committed to the structured budgetary approach, the Conservatives and Liberal Democrats were much more tentative about it. Their main concern was to maximize the scope for political choice at the

council budget meeting itself and had the structured process ever directly challenged that priority, it is likely that they would have withdrawn from it.

The role of an Executive Board in brokering discussions was absolutely critical and advantageous to the process. In a more traditional management structure where a service director was doing his best in conjunction with party spokespersons of all parties to protect their budget against all invaders, the process could have been infinitely more acrimonious.

In particular, the device of the 'Executive Board budget' introduced at a crucial stage in the cycle when no party group was prepared to put its (budgetary) cards on the table, was crucial in sustaining the momentum of the process. Thus the existence of a strategic management structure did reduce the possibility of the re-emergence of departmental rivalries.

However, although the process survived, the lack of preparedness of any two parties to co-operate closely – until late in the day – would almost certainly have resulted in a drawn out and acrimonious last-minute bargaining process at the time of the council budget meeting (proposition 1), if late in the day there had not emerged the basis of an agreement between the Labour and Independent Groups. What had not been foreseen at the start of the 1994–95 municipal year was the way in which the Independents would become a 'group' (rather than an individual) and would have to be given formal entry into the budget planning machinery. In the end, the agreed budget was a Labour/Independent compromise (or more realistically, a Labour budget modified in a limited number of respects to gain Independent agreement), a scenario that could not have been predicted in May 1994.

What cannot be established (from the evidence) is the extent to which the Labour leadership foresaw the possibilities of this kind of outcome during the crucial December 1994 – February 1995 period. The key meeting with community and voluntary sectors early in December was particularly significant. It was subsequently agreed by all three political groups that a deputation would go to ministers outlining Kirklees case for a Standard Spending Assessment review. Although the delegation was not successful, all the community partners within the borough (those that had been invited to the major Regeneration Conference held in mid-February) were sent details of the council's dilemma. In other words, there was much broader understanding of budgetary difficulties facing the council than there had been the year previously.

One plausible hypothesis is that the previous opposition parties still believed in some way that the Labour leadership would deliver a solution, even though it manifestly could not because of the inability to deliver voting numbers. It is at least plausible, in the authors' view, that a key '*de facto*' leadership role was being played by John Harman, the Labour leader, drawing both on his proven ability to think and operate strategically, and the expectation amongst the party leaders and groups that Labour and John Harman in *particular* would take the lead in this way. Other important lead-

ership and brokerage roles were played in the process by the Chief Executive and Executive Director of Corporate Resources.

Budget management *did* move away from a political policy-led direction to a costs-led approach in the circumstance of no overall control (proposition 3). It could be argued that another casualty was the council-wide initiatives budget which suffered a severe reduction of over £1m from its 1995/96 levels. However, it should be remembered that the idea of these budgets when they had been created several years earlier was to allow flexibility within the system and to allow for new innovations when circumstances permitted. If anything, they probably smoothed the impact of the process on front-line services. Thus although the budget process became more 'incremental' than under majority party control, it did retain a number of 'rational' elements.

The Policy Board – such a central feature of Kirklees's political-management structure in the majority control situation – became largely ineffective when the authority became hung (proposition 5). The requisite level of inter-party trust was not present. It could probably only have worked effectively had there been an explicit coalition between two parties. The important point is that its redundancy other than as 'a briefing forum' was quickly recognized – by leading officers and the Labour Party leadership at least – and energy was not wasted in attempting to forge agreement over policy in that arena.

In conclusion, the experience of Kirklees in its year of no overall control (the Labour Party regaining control in May 1995) is encouraging for those concerned about the resilience of well-structured and integrated budget processes in the move from majority control to no overall control. Even in a 'fragmented' hung situation, in which no two parties are co-operating either openly or behind the scenes, such budget processes can and do help to channel information, inform the development of group budgets and minimize the scope for unproductive discussion based on misunderstanding. True the scope of what is possible may need to be redefined, with a debate about strategic priorities much less likely and a debate 'where the cuts should fall' correspondingly more likely in the new situation. If the process is adaptable enough to adjust to such changes, however, it can still make a big difference to the terms on which debate and discussion are launched.

In all hung authorities, but in fragmented hung authorities in particular, there is a high premium on the political sensitivity skills of the officers.

Political sensitivity amongst officers is important in all politicised local authorities; but in the fragmented political world of shifting alliances and diffused power of a balanced authority which is not headed by some form of partnership or coalition, it becomes increasingly so. What makes the balanced authority special is the lack of a clear policy framework. Into this (partial) vacuum, a whole range of possible channels of influence open up that would not be there in a majority-controlled auth-

ority. But such channels have to be used extremely carefully. At one level or another, there is a competitive political agenda underlying the networking process, as well as a degree of formal and/or informal inter-party co-operation. Errors of judgement may be seized upon and made political capital from, if it makes sense for a party to do so in relation to its longer-term political goals. The very openness of the system creates exciting possibilities for senior and middle managers and backbenchers – but also equivalent dangers. It is important, therefore, for officers to retain their professional impartiality and integrity as well as developing the requisite political sensitivity (Leach and Pratchett 1996, pp. 34–5).

In Kirklees, all three main political parties congratulated officers on their conduct throughout which was felt to be exemplary in terms of protecting confidences, managing the political sensitivities and so on. It is arguable that this outcome would not have been possible had there not been developed a very sophisticated budget machinery over the previous years. This machinery was certainly put to the test, but the basic procedures did work.

If the achievements in managing the transition seem unspectacular, it should be remembered what budget-making in hung authorities can be like when a satisfactory procedure cannot be established.

The bad relations (in a MDC which shall be nameless) were illustrated in a long drawn-out budgeting process which resulted, after endless meetings and threats from the District Auditor, in the budget being passed at the eleventh hour by 23 votes to nil, with only the Labour Party voting for it, and the other two parties abstaining (Leach and Stewart 1992, p. 129).

To avoid this outcome in a politically divided hung authority, such as Kirklees, is no mean achievement. In fact the achievement was much greater – the structuring and managing of the budget process identified the key areas of choice at the earliest possible date and focused on discussion of these choices.

REFERENCES

- Blowers, A 1987. 'The politics of uncertainty: the consequences of minority rule in an English County', *Local Government Studies* 13, 5, 31–50.
- Caulfield, I and J Schultz 1989 *Planning for change strategic planning in local government* Harlow: Longman
- Collinge, C and S Leach 1995. 'New approaches to budget setting: a research agenda', *Public Finance Foundation Review* 8, 6–10.
- Danziger, J 1978 *Making budgets in public resource allocation* Beverley Hills: Sage.
- Elcock, H and A Jordan (eds.) 1987. *Learning from local authority budgeting* Aldershot: Avebury Press.
- Elcock, H., A. Jordan and A. Midwinter 1989. *Budgeting in local government managing the margins*. Harlow: Longman.
- Ennals, K and J O'Brien 1990 *The enabling role of local authorities*. London: Public Finance Foundation.
- Greenwood, R 1983 'Changing patterns and budgeting in English local government', *Public Administration* 61, 2, 149–68.

- 1987 'Managerial strategies in local government', *Public Administration* 65, 3, 295–312
- Greenwood, R., C. Hinings, S. Ranson, and K. Walsh 1976. *In pursuit of corporate rationality: organisational developments in the post-organisation period*. Birmingham: INLOGOV
- Griffiths, P. 1989 'Organisational cultures and local authority budgeting', *Public Policy and Administration*
- Heclo, H. and A. Wildavsky 1974 *The private government of public money*. London: Macmillan
- Hinings, C., R. Greenwood, S. Ranson and K. Walsh 1980 *Management systems in local government*. Birmingham: INLOGOV
- Leach, S. and C. Game 1989 *Conflict and co-operation: politics in the hung counties*. London: Common Voice
- Leach, S. and L. Pratchett 1996. *The management of balanced authorities*. London: Local Government Management Board.
- Leach, S. and J. Stewart 1992 *The politics of hung authorities*. London: Macmillan
- 1993 'Change and continuity in the hung counties', *Local Government Studies* 19, 6, 499–504.
- 1994. 'The hung counties, 1993 onwards', *Local Government Studies* 20, 3, 538–46.
- Midwinter, A. 1984 'Reforming the budgeting process in local government', *Public Administration* 62, 4, 472–80
- Pinch, P. 1995 'Governing urban finance, changing budgetary strategies in British local government', *Environment and Planning* 27, 965–83.
- Roberts, G. and K. Scholes. 1993 'Policy and base budget reviews at Cheshire County Council: making zero-based budgeting work' in proceedings, of the 'Waves of Change', Conference, Sheffield
- Weaver, M. 1995 'Approaches to budgeting in Dudley MBC'. Paper presented at INLOGOV/CURS Seminar, 3 Nov. 95.
- Wildavsky, A. 1979. *The politics of the budgetary process* (3rd edn.) Boston: Little Brown.
- Wilson, D., C. Game, S. Leach and G. Stoker 1994. *Local government in the United Kingdom*. London: Macmillan.
- Young K. and L. Mills 1996 *Survey of internal organisational change in local government: the corporate survey*. London: Local Government Management Board

Date received 3 September 1996. Date accepted 9 July 1999.

TRANSPORT POLICY PARADIGMS AT THE LOCAL LEVEL: THE NORWICH INNER RING ROAD

JOHN GREENAWAY AND ANDREW GRANTHAM

It has been claimed that transport policy in the UK, once a quiescent area, has been opened to battle between competing advocacy coalitions and that the late 1980s and early 1990s saw a policy paradigm shift. This article examines one detailed historical case study, the plans to complete an inner road in Norwich and the subsequent collapse of the scheme. The aim is firstly to examine the complex decision making processes and subsequent politics of this scheme and secondly to relate the local issue to the idea of a paradigm shift in national roads policy. The complexity of decision making in a multi-actored arena, where sovereignty is located locally but is circumscribed by central government 'guidelines', suggests that the assertions of those who argue in terms of a paradigm shift in policy may be exaggerated.

POLICY PARADIGM SHIFT, ENVIRONMENTAL POLICIES AND ROADS POLICY IN BRITAIN

Environmental politics in Western Europe have witnessed many examples of perturbations of previously settled policy areas. In Britain we find instances in recent years of established policy positions being sharply challenged or even overthrown. This has often involved existing settled policy communities being sundered apart, as new pressure groups demand to be heard, or as a result of shifts in the institutional arena of decision making; but it has also involved a shift in the dominant values and in the discourse which surrounds the particular policy area. Examples may be found in agriculture (Smith 1989), nuclear power (Baumgartner and Jones 1991), the use of pesticides (Bosso 1988) and coastal water policy (Jordan and Greenaway 1998). Such upheavals have been related to a more general theoretical debate among political scientists concerning the dynamics of this process. At a time when policy appeared settled, analysis of the policy process focused upon such factors as bureaucratic structures, or more broadly, policy networks and the interaction within them through resource exchanges (power dependency). Rapid and dramatic policy shifts, on the other hand, raise interesting questions about the role of ideas in promoting policy change or, more interestingly, the nature of the exchange over policy ideas together with the relationships between members of policy communities

John Greenaway is a Senior Lecturer in Politics in the School of Economic and Social Studies at the University of East Anglia. Andrew Grantham is a Research Fellow in the Centre for Research in Innovation Management at the University of Brighton.

and exogenous forces (Marsh and Rhodes 1992). Various models have been propounded to explain the pattern of change. Network theorists, for example, see it resulting from a change in network structure: the outcome of a dialectical process of strategic action from within networks, in the context of a wider political-economic (macro-level) domain, which have the capacity both to reinforce and fundamentally change policy and, by implication, state structures (Marsh 1998). Sabatier, on the other hand, stresses concepts of policy learning; he has produced a systematic model in terms of adversary coalitions, based upon core beliefs, which use policy learning to battle for supremacy in policy sub-systems which are affected by exogenous events and forces (Sabatier 1987, 1988, 1998, Sabatier and Jenkins Smith 1993). For his part, Peter Hall has pointed to the importance of policy paradigms as shaping the policy process; most change, he argues, takes place at a routine level at the calibration of settings of policy instruments or in changes in those instruments themselves; but a more fundamental change ('third order change') occurs more rarely in the overarching goals which guide policy making when one policy paradigm is replaced by another (Hall 1993).

Our aim in this article is to examine one application of such ideas – to roads and transport policy in the UK – in the light of a single detailed case study. In the 1950s and 1960s insider interest groups' entrenched political and bureaucratic positions were underpinned by a discourse which favoured the use of the private car and presented the construction of highways as an unquestioned community and economic benefit. In this connection Britain was markedly different from much of the rest of Northern Europe where there was a more varied approach to meeting transport needs. Frank Hendriks has illustrated this difference very well in his comparison of attitudes towards the construction of an inner ring road in Birmingham and Munich in the post-war years. In Birmingham the process was characterized by what he terms a 'monocultural' process: 'the predominant characteristic of the Inner Ring Road was its monofunctionality, its complete dedication to the single function of moving cars around.' This was a 'typical engineer's plan' and as such was reinforced by the closed nature of the local policy community. By contrast Munich showed a more pluralist approach in terms of both ideas and an ability to include a variety of citizens' groups in the policy process. It maintained trams, welcomed ideas for rapid rail and was able to devise road plans which were designed to meet the needs of pedestrians, cyclists and local residents as well as car users (Hendriks 1994). However, since 1980 policy on road building in Britain has become hotly contested between two camps: a coalition of economic interests involved in road transport and road construction on the one hand, and an environmentalist lobby on the other. At first blush, the policy area seems an excellent one to apply both theories of policy learning via competing adversary coalitions and also concepts of policy paradigm shift.

Such an approach has been adopted to good effect by Dudley and Rich-

ardson. In a series of articles they show how transport policy in Britain has been opened up in terms of both resource dependencies and discourse. They argue that by the late 1950s an advocacy coalition, based around road building and road transport interests, had come to dominate the core decision arena, the Department of Transport; the power of this coalition was bolstered by the ideas of an epistemic community of engineers and highway planners. This advocacy coalition determined the dominant policy paradigm in favour of road building as a route to a modern dynamic economy. Although by the late 1960s particular road-building schemes were beginning to be challenged by environmentalists or those directly affected, these parties in no sense coherently challenged the dominant coalition and its ideas. From the 1970s, they suggest, a broader coalition of environmental groups and others was able to mount a more sustained challenge to the dominant policy paradigm. This formed a rival advocacy coalition which, by the end of the 1980s, was able to muster support from alternative epistemic communities in areas such as health and pollution (Dudley and Richardson 1996a, 1996b, and 1998). By the early 1990s some fundamental shifts in transport policy had occurred. Economic shifts meant that there was less money for transport. External constraints, such as those from the EC, required more formal environmental assessment to be undertaken and much public consultation. The range of interest groups involved in policy making had greatly expanded and policy making now took place in many arenas; alongside this, the market for ideas had widened. The language of the discourse had changed: roads 'are definitely the problem not the solution nowadays'. Dudley and Richardson go on to make the more sweeping claim that the 1990s have seen a policy paradigm shift. They claim that a new view has emerged that new roads serve to generate extra traffic, cause unacceptable environmental damage and greatly contribute to pollution and global warming (Dudley and Richardson 1998). They point to the Department of the Environment's policy planning guidelines (PPG) to local authorities, such as PPG12 of February 1992 (DoE 1992) and PPG13 of 1994 as showing the shift in emphasis (DoE/DoT 1994, para 1.7). The SACTRA Report of 1994, which for the first time proved the contention of environmentalist groups that providing road space merely encouraged more demand, and the 18th Report of the Royal Commission on the Environment of 1994, which described the cycle of road building as environmentally unsustainable, can be seen as clear milestones marking a radical shift in both policy and discourse (SACTRA 1994, RCEP 1994).

To date most political scientists have focused attention on the *national* trunk roads picture in Britain. However, road building involves an interaction between national and local government. As Rhodes has shown in his earlier work, in all such areas of sub-national government policy, local networks are of prime importance in the delivery of policy (Rhodes 1981, 1988). Such policy networks are bound together not only by a shared discourse, orientated around professional communities, but, in a highly differentiated

polity, are also mutually dependent upon each other for both resources and legitimacy. Our local case study seeks to show how organs of sub-national government may be an important factor in the making and not just the delivery of policy. Moreover, the case study will suggest certain problems and deficiencies with interpretations which too cavalierly adopt explanations in term of shifting policy paradigms and will raise the issue of the sub-national *implementation* of 'national' policy paradigms.

The case study concerns the efforts by Norfolk County Council over a forty-year time span to build a bold inner ring road scheme and to complete it at a cost of £42 million as late as 1986. Even a cursory look at the issue reveals one striking factor: the policy-making climate regarding road schemes in local urban areas differed from that surrounding the national trunk roads programme, a factor which itself sounds a cautionary note about adopting too simplistic a view of policy paradigms. Although the national road building lobby reached its apogee in the late 1980s when the 1989 White Paper, *Roads for Prosperity*, announced a doubling of the trunk road programme (Dudley and Richardson 1996a, p. 77), policy affecting inner urban areas and historic city centres had become more cautious. The high financial costs of such urban schemes, their intense unpopularity and their apparent failure to provide lasting solutions to congestion began to render them after 1973 increasingly unattractive to planners, transport strategists and politicians alike. Nevertheless, local authorities had considerable discretion under the Transport Policy and Programmes bidding schemes for capital infrastructure projects, subject to adherence to general planning guidelines. We find considerable variation in the approaches of different local authorities. Whereas some, like Oxford City Council, had early on rejected all forms of urban road building (Newman 1988), others, like Glasgow, Darlington and Liverpool, remained wedded to road schemes in city centres.

Our detailed case study, by bringing out the complex relations between various actors at the local level, also has some bearing upon the more theoretical aspects of policy change. It will highlight the issues of the complex nature of policy sub-systems at the local level, issues which tend to be glossed over by theorists who stress paradigm shift. We will argue firstly that roads policy at this level, being characterized by multi-actored politics and bureaucratic networks, is too complicated to be fitted easily into an advocacy coalition framework and that major shifts in both policy communities and dominant policy ideas cannot solely be explained in terms of paradigm shift. Secondly, the case study undermines some of the critical assumptions of policy learning models: in particular that policy sub-systems are discrete entities. Finally, although we endorse Dudley and Richardson's view that there has been a rapidly changing policy discourse concerning roads in Britain, we cast doubt upon their confident claims that there was a clear paradigm shift on roads policy in the UK in the 1990s.

THE NORWICH INNER RING ROAD: A BRIEF HISTORY 1945–1994

The plans to build an inner ring road around Norwich's large walled medieval city centre can be traced back to 1936. An outer ring road had been built in the 1930s, but this in itself was incomplete in the south east quadrant. The City Plan of 1945 endorsed the scheme for an inner road and in an appendix the City Engineer, Horace Rowley, suggested the construction of both a tunnel and a bridge to carry the road across the difficult terrain of the south east quadrant where the land fell very sharply from an escarpment down to the river (City of Norwich Plan 1945). This grand engineering scheme would effectively cut off the southern tip of the roughly South America shaped city centre. In the 1940s the concept of an inner ring road was justified primarily in terms of rendering access to the city easier. Rowley declared: 'it is fully realised that traffic into the City for business and shopping purposes should be encouraged and facilitated' (PIDOC 700, 4.2.3; PIDOC 1022, p. 1). During the 1950s and 1960s the Labour-dominated Norwich City Council pursued a largely car-orientated transport policy, which involved facilitating access through widening various roads and building car parks, although in time rather more emphasis came to be placed upon the heritage of historic buildings (Interview, Percival 1994). In the 1960s the work of Colin Buchanan had a major impact on thinking. As part of his influential study of *Traffic in Towns* in 1963, Buchanan undertook an 'academic' study of the problems of Norwich. Buchanan's general philosophy was that road traffic should be segregated from pedestrian and resident use, by encouraging diversionary circulation roads and creating precincts of 'homogeneous' use. In the Norwich context he developed the idea of 'ring and loop'. Essentially this involved rejecting further road widening in the centre and eliminating through traffic from the core area of the city centre by dividing up the centre into a series of sub-units 'each with gates to the network, but without direct connection with each other', connection being provided by a ring road distributor (Buchanan 1963, para. 275). Buchanan's ideas, which were linked to the idea of zoning cities into functional areas, were enthusiastically incorporated into concrete plans by Rowley and subsequently the newly formed City Planning Department during the 1960s (PIDOC 1022, pp. 3–4). Consequently, during the late 1960s and early 1970s, the western and northern dual carriageways of the Inner Ring Road were constructed.

As thinking moved in favour of both the preservation of ancient buildings and environmental benefits of traffic-free areas from the 1970s, 'ring and loop' became central to the city's transport and planning objectives. The completion of the Ring Road was now presented in terms of traffic restraint and later as a 'green' solution. However, the high cost and difficulty of routeing the southern section, which became known as Inner Ring Road Phase III (IRRIII), caused it to be postponed. Meanwhile, after the local government reorganization of 1974, Norwich lost its unitary status

and Norfolk County Council became the highway and planning authority; for a decade the building of IRRIII was put on the back burner by the Conservative-dominated county council.

In 1985–88 the issue came firmly back on to the agenda. Following the Department of Transport's decision to go ahead with building the Norwich Southern Bypass, the County's Planning and Transportation Committee (NCCP&TC) decided that route options for IRRIII should be investigated and that it should be included in the fifteen-year forward programme. James Ramsden, the newly appointed County Surveyor, became the chief advocate of IRRIII. A public consultation which outlined nine alignments took place in August and September 1988. As Ramsden pointed out to the NCCP&TC, 'the current exercise is to look at the line, it is not to review the Strategy' (PIDOCs 1001 & 1002). The city council also fully backed the idea of completion of IRRIII, although it reserved its position on the actual preferred alignment (PIDOC 700, 4.7.2) and support was also forthcoming from the Norwich Chamber of Commerce and the Norwich Society, a conservative civic body, although it opposed any route through the Georgian area of Bracondale. Meanwhile, opposition pressure groups were mobilizing (*Eastern Daily Press (EDP)*), 8 & 13 September 1988). One was the Road Action Group (RAG) formed in November 1988, drawing support from a range of local environmental groups and local residents to fight against further road building solutions (*EDP*, 22 November 1988). Another was the Bracondale Residents Association: this took an essentially NIMBYist approach, mounting a high-profile opposition to those route options which involved Bracondale but was later to support the county's preferred route which avoided this relatively affluent residential area (*EDP*, 8 October 1988; Interview, Murphy 1994).

In June route B3 was adopted by the county council as the protected line for IRRIII and a 'Do Nothing' option rejected as incompatible with 'ring and loop' (PIDOC 629). Meanwhile, in 1988 the NCCP&TC had commissioned a transportation strategy (NATS2) for the greater Norwich area to take the city forward into the next century (NCCP&TC Minutes, 23 June 1988). NATS2 was given to consultants Halcrow Fox, an engineering firm, in summer 1989. It identified a high degree of traffic growth in the Norwich travel-to-work area and its report recommended a combination of meeting this by traffic restraint measures, such as park-and-ride schemes, and road building in the outer suburbs; Halcrow Fox were told to assume the completion of IRRIII as a given factor in all their options. The NATS2 consultation, however, kept the issue of transport very much to the fore and the consultation process was exploited by the RAG and over a thousand objections were lodged, most favouring a public inquiry. The protestors also persuaded English Heritage to take an interest and to lodge an objection. The Secretary of State for the Environment, John Gummer, responded by 'calling in' the scheme for a public inquiry. In the meantime opinion within the governing Labour group on Norwich City Council had shifted mark-

edly. By June 1991 the City Planning Committee, while continuing to support the completion of IRRIII 'provided it can be done in an environmentally acceptable way', objected to the specific proposals which represented 'an engineering' solution (PIDOC, 700, 5.7.1). A series of fruitless meetings at officer level between the two councils took place and by December 1991 the City Planning Committee resolved to appoint its own consultants to develop a 'more environmentally friendly alternative' to IRRIII (PIDOCs, 640, 650; *EDP*, 3 December 1991). The firm of Malcolm Buchanan (the son of Colin Buchanan) was appointed in May 1992 and produced an alternative plan including the development of park-and-ride, parking controls and the completion of the Outer Ring Road (*EDP*, 31 July 1992). The RAG declined to support this alternative. Officials and politicians alike at the county council felt anger at the city's sudden change of heart.

At the inquiry during the winter of 1991–92 the county council argued the case for IRRIII because it was in accord with the past structure and local plans. The adverse visual effects, noise, pollution and effect upon listed buildings were not significant, given the environmental benefits that could be achieved in the central area (PIDOC, 121). The city council countered that IRRIII would conflict with recent planning guidelines PPG12, in so far as unacceptable environmental damage would be inflicted upon the south-east quadrant of the city (PIDOC 700). The Broads Authority, English Heritage and the Royal Fine Art Commission all supported the city council. English Heritage demonstrated that the county had exaggerated the projected traffic reductions in the central area. The RAG acted as an umbrella for all groups opposed to a road-building solution. It criticised the consultative process, the lack of proper environmental assessment and the biased assumptions in the NATS2. RAG was emphatic that it did not propose a 'Do Nothing' option and it raised money to employ consultants, Metropolitan Transport Research Unit (MTRU), who proposed a plan for traffic restraint, based upon city centre rush-hour car permit scheme (*EDP*, 23 November 1990; PIDOC, 1015–16). The inspector concluded that IRRIII had 'scant public support' and was a 'solution out of sympathy with today's demands for high environmental standards.' He did not advocate any substitute road building and believed the city council's alternative for extending the Outer Ring Road, although less damaging, would prove 'a temporary and costly answer'. The RAG's alternative for traffic restraint was in its infancy and had the disadvantage of lacking support from the local business community, but nonetheless 'may be pointing the way to a form of future methods of tackling inner city congestion.' Increased traffic restraint in the city centre 'appears inevitable and desirable' (Whalley 1993).

THE BUREAUCRATIC MOMENTUM OF THE POLICY

Let us now consider what this story reveals about the policy process. One point which stands out from the rather convoluted history of IRRIII is the lengthy timespan involved. The scheme was a direct descendant of Row-

ley's vision of the 1940s and was given added impetus from Buchanan's 1960s study. IRRIII was therefore given legitimacy as the completion of an already existing policy, even though the objectives and justification for the policy changed over time, a point to which we will return later. Although in abeyance from 1974 to 1985, in the words of Clare Moore of the County Highways Department: 'it never went away; if you look at any policy document, you will always see it. It was a question of finance' (Interview, Stead and Moore 1994).

The historical policy momentum IRRIII enjoyed was reinforced by an overwhelming consensus in the 1970s and early 1980s, among both officials and local politicians, concerning the scheme. It was widely accepted at this period that road building was an essential element in relieving traffic congestion, even though by the 1980s IRRIII was presented as a cornerstone of a broader transport policy which involved a combination of other road building (in the outer suburbs) and traffic restraint. This policy discourse was underpinned by the bureaucratic cultures and institutions which dominated the policy area. The plans for a ring road had originated as an engineer's solution and in the early years the city's planning was dominated by engineers and architects who worked harmoniously. In the late 1980s it was enthusiastically endorsed by Ramsden, an engineer who, in his previous post had built an imposing bridge at Durham designed to take traffic away from the historic centre there. However, interviews with participants indicated some degree of fragmentation of the policy consensus as new thinking was percolating through, reflecting the different bureaucratic and intellectual perspectives of the engineers and the planners. Mike Loveday, one of the city planners, recognised that across at County Hall 'there was a conflict between the planners and the County Surveyor. The planners didn't agree with the way he was going' (Interview, Loveday and Watt 1994). Later after the city's *volte face* on the issue, opinion was divided at County Hall as to whether to seek a compromise (Interview, Stead and Moore 1994). However, Ramsden's views were in tune with those of the leader of the Council (Alston), the Chair of the NCCP&TC (Peel) and the Chief Executive (Barry Capon) and quickly established a dominance over any other perspectives. It was then easy to manage agendas. The terms of reference of NATS2, for example, were decided by Peel and Ramsden together; the process, Alston recalls, then had 'a momentum all of its own and was then taken to our members [i.e. Conservative councillors]; that was my usual way of doing things' (Interview, Alston 1994).

The situation at the City Hall was rather different. Although the official line had been to back IRRIII until quite late, the Planning Department had a different ethos and had long promoted an integration of all sorts of professionals. It had had more contact with Scandinavian and German approaches to transport and the engineering ethos was no longer dominant. Nonetheless, even the city officials were not so radical as to discount road building altogether: it was influence from politicians that led them funda-

mentally to reassess IRRIII and even then they subsequently supported Malcolm Buchanan's hastily commissioned, alternative scheme for the 'outer link'. Although in the past professional relationships had been good, once the two councils differed over IRRIII, political differences became reinforced by professional tensions (Interviews, Loveday and Watt, Stead and Moore 1994).

A similar pattern of once-universal consensus fraying at the edges can be seen in the party political arena. At the county level, IRRIII had enjoyed the strong support of Labour politicians, especially the veteran Dick Phelan, the Labour spokesman on the NCCP&TC (Interviews, Phelan, Tolley, and Peel 1994). When IRRIII was put on the back burner in 1974, this was for financial and political reasons – rural Conservative members resented spending large sums on a Labour city rather than on small town bypasses – not because it was conceived as a 'wrong' policy in transport terms. By the early 1980s some Labour county councillors began to have doubts, but they were simply in no position to put forward a workable alternative other than the negative option of 'no road'. 'Phelan, as the Labour spokesman, always tended to be given the benefit of doubt in any argument simply because he was the spokesperson and had developed an expertise on the matter' (Interview, Heading 1994. Also Panes, Tolley 1994). On the Conservative side, too, we find the 'expert' views of officials being used to bolster politicians. When Jonathan Peel, the Chair of NCP&TC wanted to persuade Conservative county members to allocate money for Norwich road schemes, he found it useful to invite officials to the Conservative group meetings. 'I thought that if my views were going to be supported by the officers ...then to get the officers there sometimes as well was also very helpful...and I think the group were fairly readily convinced. We knew the direction in which we wanted to go and there wasn't a sort of dicey, last minute "where's the vote going, is it going the wrong way?"' (Interview, Peel 1994).

It was these powerful bureaucratic and local political forces which ensured the momentum of IRRIII even at a time when the broader national policy discourse was changing. The selection of a route for IRRIII was bound to be controversial and have political repercussions and coincided (after 1986) with a growth in self-confidence of the green transport lobby. The public consultation process was extensive – a pamphlet was sent to 85,000 properties – but clearly reflected the power of the dominant forces in the County to manipulate the agenda. The selection of no less than nine routes had the effect of confusing discussion and dividing opposition. Denise Carlo, the secretary of the RAG, argued that in the 1988 consultation 'many were convinced that the county council would press ahead with the scheme regardless and, concerned about the impact of the road on their own community, adopted the 'not in my back yard' position. Communities were very much pitted against each other' (PIDOC, 1001, 4.2.2). She also criticised at length the highly selective way in which the results of question-

naires were presented to the politicians on the county council (PIDOC 1001, 4.12.1).

MULTI-ACTORED POLITICS AND CRITICAL DECISION POINTS

This account of the bureaucratic imperatives behind the road scheme and the networks which underpinned the continuation of the policy necessarily gives a somewhat static account. We need now to explain *changes* which took place. In this connection we will next examine two critical episodes with a view to answering the questions: Why did IRRIII re-emerge in the mid-1980s after a period of hibernation? Why did the city council 'switch sides' at a late date? Examination of these critical moments will illuminate the more general dynamics of policy change.

With regard to the decision of the county council to give priority to IRRIII in the mid-1980s, after nearly ten years in abeyance, we find a concatenation of circumstances. First, as Ramsden recalled, there was 'tremendous pressure' around 1987 from the city council to get the county to complete the IRR. Patricia Hollis, then Labour Leader of the city council 'began to work on John Alston ... the city had some fairly ambitious plans for the Riverside Development' (Interview, Ramsden 1994). This was a proposed mixed-use development on a derelict industrial site near the route of IRRIII and from which the city councillors had unrealistic expectations of planning gain of some £10 million. Alston, the Conservative Leader of the county council at the time, confirms this pressure: 'Every time you met those members of the city council on other issues they would always say "well, where are you getting to on it?"' Alston enjoyed a very good relationship with Hollis. Moreover, she and her fellow enthusiasts from the city were knocking on an open door. Alston had come to the view that it was strategically important for the county to bolster the position of Norwich as a regional capital with a modern roads system to attract in business. His way of winning over rural Conservative members was to galvanize the forces of the officials and to shift Jonathan Peel to the chair of NCP&TC in 1989. 'He picked up the ball and he ran with it. He could see the importance of the issue' (Interview, Alston 1994). Peel, who had a background as a professional planner, shared Alston's concerns. Another impetus came from the forthcoming local government review. The county council knew it would face a challenge in any review from the city, anxious to restore its unitary status. It was a crucial part of the county's case to claim that it alone could provide 'strategic' planning for the area. NATS2 and IRRIII came to be component parts of this approach: as Peel recalls, 'the Chief Executive and others come in and say "we're responsible for strategy, what have we done in the past? If we're not responsible for strategy, we're really not worth keeping as a county council." So that came through very strongly' (Interview, Peel 1994).

These political imperatives coincided with official thinking in the County Transportation Department that a lot of attention had been paid to rural

bypasses and that 'it was time to spend substantial sums of money in Norwich' (Interview, Stead and Moore 1994). The arrival in 1987 of Ramsden as County Surveyor reinforced this shift of emphasis. City officials perceived Ramsden as rapidly becoming the driving force behind IRRIII (Interviews, Rostron, Loveday and Watt 1994). Ramsden himself, in retirement, denied his commitment was anything other than professional: 'People have a misconception about the role of chief officers... that this was some terribly ambitious County Surveyor who thrived on building roads, controversial ones, and would railroad his way through. I've built enough roads to satisfy my professional ambitions in that direction... but having said that you very often can't get to that stage [completion of a scheme] without being fairly strong minded' (Interview, Ramsden 1994).

The second crucial decision – the switch of sides by the city council in 1992 – shows a similar combination of factors, both political and administrative, at play. The county's misfortune was to implement its grand plan at the very moment when urban transport thinking was in the melting pot. As Ann Rostron, the City Conservation Officer, herself a former supporter of IRRIII, put it, urban transport policy was 'a moving target; the ideas are being developed all the time.' Although still ready to consider alternative road building strategies, city officials by 1991–92 were exploring the ideas of park-and-ride and traffic restraint and were beginning to conclude that the 1960s policy of building big multi-storey car parks in the central area might have been a mistake. The selection of actual routes sharpened up this thinking (Interview, Rostron 1994). IRRIII, once it came to the rub, seems to have acted as a catalyst. 'We were always unhappy about the way they [the county] were going, but the force of the arguments of politicians was such that they said "right we are not having this, we are going to stop it and we are going to oppose it", and that forced us actually to dig in and find the technical case' to oppose IRRIII (Interview, Loveday and Watt 1994).

It was indeed this political pressure which was crucial. Several factors were important here. The first was a change in personnel and generation among Labour councillors. The younger ones questioned the Phelan/Hollis received wisdom. Eamonn Burgess, elected in 1991, found 'the balance of City councillors on the Labour Group was just tipping into the majority being against completion of the Inner Ring Road'. He and others used other environmental protection campaigns to build up Labour as a locally based campaigning organization: 'the Labour members at city and county level had got the environmental bug ... we were telling our officers the policies that we believed in' (Interview, Burgess 1994). Particularly significant was the election of Janet Sillett as Leader of the City Council in succession to Hollis in 1988. Sillett, who did not herself drive, was suspicious of the technical arguments of officials. She felt IRRIII to be an expensive and outdated solution which would not achieve its objectives and she set about herself studying the effects of ring roads in other cities (Interview, Sillett 1994).

For their part, the Norwich Liberal Democrats, who by this date formed the major opposition group on the city council, were also split (Interviews, Burgess, Tolley 1994). Secondly, such shifts in opinion had a powerful political imperative. In 1989–90 the Green Party's vote in Norwich local government elections surged. 'The reaction to the proposals to complete the IRR was extraordinary', remembers Sillett, 'it was the biggest response to anything, ever' (Interview, Sillett 1994. Also Panes 1994). The RAG mounted a big and noisy campaign to counter the view that IRRIII was a *fait accompli*. A coalition was built up of environmental activists, residents and the local Roman Catholic community whose school, Notre Dame, would have been badly affected by the chosen route (Carlo 1996).

These two critical episodes in the IRRIII story reflect the complex, multi-actored nature of decision making. Two councils were involved and within these councils there were bureaucratic tensions between different departments. Once the positions of the two councils had been resolved by internal politics, both adopted an adversarial approach to each other, which was exacerbated both by personal factors at chief officer level and by the impending local government review. Moreover, political parties were divided on the issue in an intricate way. The county Conservatives were not agreed about the desirability of investing money in Norwich and the city Liberal Democrats were split on road building. The Labour Party had particularly complex divisions. There was the ideological gulf between the greener, younger members and the veteran devotees of IRRIII. There was also a division between Labour members of the county council from outside Norwich, who viewed the issue in terms of motorized access to meetings in Norwich, and their city counterparts, aware of the electoral repercussions of urban road building (Interview, Panes 1994). Some members were in the difficult position of having long supported IRRIII but being forced to oppose the particular county proposals on account of the perceived impact on their wards. All these tensions sharpened at a time when at both the national and the local level ideas on transport policy were undergoing a rapid change. The result was a fluid policy position which could be more than usually affected by personalities and which granted pressure groups considerable opportunity for influence. This meant that the public inquiry was more open than is often the case. Unlike most inquiries it could in effect be used as a *primary* policy-making forum owing to the disagreement between the two planning authorities. This was an inquiry where advocating an alternative transport policy was not *ultra vires*. It was not a question of the established 'public interest', as defined by the secretary of state, up against a motley collection of local or environmentalist groups. The inspector, moreover, assumed the role of a 'neutral' referee who was aware of the rapidly changing national agenda on urban road building. After the defeat at the inquiry in 1994 the county merged its Highways and Planning Departments with Martin Shaw, of Planning, being appointed the new head, while the County Surveyor, Ramsden, took early retirement. Simul-

taneously, the Conservatives lost control of the county council for the first time since 1888 and the way was cleared for a different approach to transport planning in the Norwich area.

THE CASE STUDY AND EXPLANATIONS OF CHANGING ROADS POLICY

Let us now relate the case study to some of the theoretical issues concerning changing roads policy in Britain. In the first place the model of competing advocacy coalitions fighting for the future direction of transport policy is only partially vindicated. Certainly, the story of IRRIII shows how the opponents of the road in the RAG were able to bolster their case by appealing to support from other policy areas such as health and pollution (PIDOC 1017–18). The possible pollution and noise implications of IRRIII for a school and elderly residents in council flats are stressed in the inspector's report (Whalley 1993, para.38.132). This is an example of what Dudley and Richardson refer to as the garnering of support from external epistemic communities. By 1990 the 'environmental' effects of a road scheme were no longer to be judged primarily in terms of individual historic buildings lost, but rather in terms of pollution, health, heritage, general amenity and broader planning guidance. Both local Labour and Liberal Democrat parties were divided into road building and 'green' lobbies with different sets of values, often reflecting generational change within the parties. However, against such neat alignments we face the awkward fact that the main opposition to IRRIII was shared between an environmental group, RAG, and the city council. At the public inquiry the lead case against the road was argued by the city council who, at this stage far from being opposed to road building, felt they had to come up with their own alternative road scheme (the Outer Link) in order to act as a credible alternative. Most of the public inquiry took the form of a professional duel between transport experts who shared many of the same methodological and theoretical assumptions. 'So much of the inquiry turned into "our road versus their road" and I think we were confident that our road was as good if not better than their road. Now may be that was not what it was really about....that didn't mean that we were satisfying the inspector that there should be a road full stop' (Interview, Stead and Moore 1994). The concept of advocacy coalitions, moreover, does scant justice to the internal politics within the competing groups themselves. Thus we have found evidence of tensions within the county between the Planning and the Highways Department, the former taking a broader view than the engineering imperative of the latter. Nor was there always a unanimity of philosophy or outlook inside the RAG. For some of their leaders, like the secretary, Denise Carlo, 'fighting IRRIII involved a wider agenda. Phase III formed the lynchpin in the Norwich Area Transport Strategy.... Four major road proposals relied upon its completion. RAG were determined to knock out IRRIII and reorientate the roads-based strategy for Norwich' (Carlo 1996). For her, the inspector's

report represented the overthrowing of the whole of the county's transport strategy which was 'now in shreds' (Carlo, *EDP*, 12 April 1994). However, many of the RAG members had a much narrower view and opposed the road simply because it would affect their properties or on account of its effect on Notre Dame, the Catholic school, if their children went there.

As far as the changing discourse is concerned, our study certainly reveals that urban road policy in the early 1990s had to be justified in very different terms from a generation earlier. Many of our interviewees used the phrase 'sea change' in describing changing attitudes towards road building as a solution to traffic problems in urban areas. These assessments were, of course, made with the benefit of hindsight. Indeed the case study suggests considerable naivety amongst local senior politicians and chief officers regarding the actual implementability of such a plan, however much it was presented with a 'green' veneer. Not only did it represent a re-emergence of major urban road building in historic cities, now frowned upon in Whitehall; it also assumed that the discourse was strictly quasi-legal and technocratic in form: that is within the constraints of the statutory guidelines of due consultation and the administrative competence of the county. In reality, the discourse had become much more complex; more so even than was appreciated by many of the actors concerned. For example, Norwich City Council at the public inquiry, by plumping for promoting an alternative route rather than no route at all, did so in the belief that such inquiries were exclusively forums for testing the efficacy of standard technologies: traffic planning and forecasting, engineering and so on. In this respect the local actors were badly out of tune with the discourse at the national level.

It may be tempting to present changing roads policy making in Britain in terms of a linear progression, with road building interests and lobbies increasingly being successfully challenged by a coalition led by environmental interests. However, explanations in terms of advocacy coalitions find it difficult to embrace the complex multi-actored pluralism which we have portrayed in the detailed history of the scheme. Of course, a strength of Sabatier's model is that such bureaucratic politics are partially factored in with officials being portrayed as 'policy brokers' (Sabatier 1988). However, the story of IRRIII suggests such a complex pattern of interaction whereby different agencies and bodies used the issue to advance multifaceted agendas that it casts doubt upon the utility of the whole approach. At the stage when IRRIII re-emerged after hibernation in the mid 1980s various political and administrative actors saw the project as a means of tapping additional resources. City politicians and planners were desperate to attract transport investment of any kind to Norwich which had been cold-shouldered for so long by the Conservative-dominated county; even if IRRIII was not ideal it was linked to other NATS2 investments. Moreover, the scheme was, for both authorities, a means of securing additional resources both from central government and private developers at Riverside. Furthermore, we find the strategic authority, Norfolk County Council,

faced with a pending local government review, revitalizing a dormant policy, the scale of which would have secured the county considerable visibility in the City of Norwich in the run up to the investigation of the Local Government Commission. Thus the county sought to use IRRIII as a weapon against other authorities, particularly Norwich City, in their quest for unitary status. Conversely, as its enthusiasm waned and vocal opposition was voiced, the city council by 'switching sides' could impress upon observers that it was protecting the interests of the denizens of the city faced with the imposition of a damaging road by a distant 'other' authority. Moreover, the planning department at the city had much to gain in terms of commanding resources and autonomous decision making should the district achieve unitary status. Political tensions and personal ambitions were also important at various stages, notably in the decision of the Conservative leaders on the county to resurrect IRRIII and the aspirations of the younger councillors in the Labour group in the city council.

All this points to a deeper problem with the notions of advocacy coalitions and policy paradigms. They overestimate the extent to which policy subsystems may be insulated from each other. In this instance local government review and the economic regeneration of business in Norwich were all tied up to the Ring Road plans at various times. Further than that, our story also indicates a more complex relationship between policy problems and policy solutions than the advocates of policy learning models suggest. The IRR was a 'solution' but the problems which it purported to solve changed dramatically over many years. Originally conceived in the 1940s as a means of facilitating access to the city, it went on to become an integral part of planners' fashionable desire in the 1970s for pedestrian precincts and zoning and ended up by the 1980s as part of a package of measures to bring about traffic restraint, indeed it became the cornerstone of such a policy. Moreover, 'ring and loop' had become ingrained in the minds of officials and politicians as a policy objective rather than a technique: 'the county had been so locked into ring and loop for so long, they thought it *was* the benefit; the benefit was not that but what you might achieve for people who worked and shopped and so on in the centre' (Interview, Loveday and Watt 1994). All this illustrates Kingdon's suggestion of a policy soup in which solutions are floating around waiting for problems and in which the window of opportunity is all important (Kingdon 1984).

Crucially, the fact that the road did not get built was due to a combination of political factors. In the mid-1980s there was near unanimity within the local bureaucratic and the political arenas of any clout that the road needed to be built. The case study shows how sub-national government could in this case powerfully initiate and drive through policy and exercise considerable discretion in so doing: its 'solution' being quite the antithesis of that adopted by Oxford, for example. It was a hard struggle for environmental groups to oppose such a scheme. The county council remained deaf

to the contrary ideas and the RAG deliberately pursued the policy of getting the scheme 'called in' for inquiry, no easy task in itself. The fact that there were *two* local authorities with an interest in the scheme and that relations at both the political and professional level were poor (partly due to exogenous or chance factors such as local government reorganization and the personality of the county surveyor) opened a chink in the door which the political pressure of RAG and other environmentalists could exploit: 'we switched our target. ... If the City could be persuaded to oppose the road they would act as a lever on the County' (Carlo 1996). The environmentalists were in a position at the public inquiry of allowing the two titans to undermine each other on the technical professional front and hence allowing the environmental thinking to come through.

All this suggests a more general problem with an interpretation in terms of policy learning: the neglect of the complexity of central/local relations. Our study shows that 'learning' at the international and national level was not automatically translated into new policy at the local level where participants had their own perceptions and interests. Rather than the erosion of one advocacy coalition by another the crucial factor in our case study appears to be the loss of consensus at both the party political level and between the councils' professionals. This can be considered with reference to policy networks. The county as the strategic authority and typically the focal actor in the policy network found its hegemonic project undermined. At a macro level, state actors were altering the criteria by which such projects would be evaluated. The county's former allies were receptive to this both on account of their orientation towards planning rather than engineering, and by the influence of new councillors who embraced an even more radical agenda. It must be concluded that there had been a breakdown in informal network connections with the Department of the Environment. It is conceivable that key actors at the county were hampered in their assessment of the department's bureaucratic position by the strong political connections with Conservative cabinet ministers from Norfolk, like Gillian Sheppard and, above all, John MacGregor, then Secretary of State for Transport, who were giving them quite different messages. Indeed the planners at the city believed \pm erroneously as it turned out – that, even after the inspector's report, there might be a political fix with John Gummer, the Secretary of State for the Environment, himself an East Anglian MP, being pressured by MacGregor on behalf of the local road enthusiasts: 'on these political issues there was a mafia of influential Norfolk politicians that had fast tracks into the decision-making process in government. If anything needed to happen, then it would happen if you oiled those wheels' (Interview Loveday and Watt 1994). Although our empirical research could not confirm such network activity, the outcome indicates some degree of shift in power between members of the network.

Finally, we should be cautious in hailing the case study as evidence for Dudley and Richardson's broader claim that third order paradigm change

in British transport has occurred. Again bureaucratic imperatives need to be given due weight. A critical feature in the story of IRRIII was that in the last resort the county council depended upon central government support for the road to be built. Of the £42 million cost, half would have had to come from Whitehall under the Transport Policy and Programmes bidding system for capital infrastructure projects, leaving the County to raise the other half. Yet Whitehall had no bureaucratic interest in the road being built: it would be costly, electorally unpopular and likely to give rise to awkward direct action protests of the kind that were becoming familiar in London and elsewhere. Dudley and Richardson themselves point out that 'a cynical view of the dynamics of policy change might be that environmental arguments against road building are always more fashionable with government during public expenditure crises' (Dudley and Richardson 1998, p. 734). Even a long supporter of IRRIII, Phelan, later wondered whether IRRIII would ever have been built on financial grounds, even if it had received the backing of the inspector (Interview, Phelan 1994). The lack of Whitehall bureaucratic investment in the scheme contrasts with the political and bureaucratic impetus which accompanied all trunk road schemes at this period, including the *causes célèbres* of Oxleas Wood and Twyford Down. Each trunk road scheme was part of a *national* policy.

As far as the general issue of British transport policy is concerned, although discourse has clearly changed and planning for less travel clearly represents a shift of emphasis, the pace of shift is towards the glacial rather than seismic end of the scale. Road building and car-orientated policies in inner-urban areas are now discarded; however, as the enthusiasm shown by the Labour government for pushing ahead with the Birmingham Northern Relief Road after 1997 indicates, one should be cautious about a paradigm shift in *national* road construction, especially where the cost is borne by a private finance consortium – a development which in itself will create new networks. Moreover, there is little evidence to suggest that there are any policies at the central government level explicitly aimed at curbing not just car use but car ownership, which is surely the definitive indicator of paradigm shift? Indeed, by December 1999, the government was regarded as having conceded defeat in its battle to break Britain's 'car culture' (*Daily Telegraph* 18 December 1999). The belief in the sustainability of large volumes of vehicular movements remains unshaken as does the conviction that road building is vital for local prosperity. Locally, the new Labour MPs elected for Norfolk in 1997 have all enthusiastically supported investment in the county's roads and, at the time of writing for example, a delegation – which included the MP for North West Norfolk, Norfolk's MEP, the Labour Leader of the County Council and the County Chief Executive – is reported lobbying in Brussels for EU cash to dual the A47, a main road into Norfolk: no sign here of IRRIII causing a shift in fundamental perceptions (*EDP* 26 March 1999). There may indeed be 'perturbation' in roads policy but, just as our case study shows that the collapse of IRRIII was due to an intricate

medley of local and national bureaucratic, political and financial factors interacting, so we suggest it may be more helpful to see the evident changes in national transport policy over this period as resulting from complex and shifting interactions of various forces. If at any one time different component parts of transport policy appear inconsistent, this is a reflection of the complex and messy world of decision making at both central and local levels.

ACKNOWLEDGEMENT

The authors would like to thank Bryan Heading, Andrew Jordan, Tim O'Riordan and also the members of the policy research seminar in the School of Economic and Social Studies at UEA, as well as two anonymous referees, for providing some useful comments on an earlier version. Responsibility for any remaining errors or omissions rests with the authors.

INTERVIEWS

- Alston, John, Conservative Leader of Norfolk County Council, 1 August 1994
 Burgess, Eamonn, Labour Norwich City Councillor, 29 June 1994
 Heading, Bryan, Labour Norfolk County Councillor, 22 June 1994
 Loveday, Mike and Andy Watt Assistant City Planning Officer and Transportation Policy Planner, Norwich City Council, 12 August 1994.
 Murphy, Brian, Chairman of Bracondale Residents' Association, 13 June 1994
 Panes, Andrew Labour Norfolk County Councillor, 17 June 1994
 Peel, Jonathan Conservative Chair of Norfolk County Council Planning and Transportation Committee, 25 July 1994
 Percival, David, Norwich City Architect 1955–74, 16 June 1994
 Phelan, Dick Labour Norfolk County Councillor, 29 June 1994
 Ramsden, James, Norfolk County Surveyor, 1987–94, 26 October 1994.
 Stead, Brian and Clare Moore. Officials in Norfolk County Council, Highways Department, 23 August 1994.
 Rostron, Ann, Norwich City Council, Conservation Officer, 24 June 1994
 Sillett, Janet, Labour Leader of Norwich City Council, 1988–93, 2 August 1994
 Tolley, Philip, Labour Norfolk County Councillor, 11 July 1994

PUBLIC INQUIRY DOCUMENTS NORWICH INNER RING ROAD PHASE III

- PIDOC 121 Mr G.B Stead's proof of evidence
 PIDOC 629 Norwich inner ring road phase III, report to Planning and Transportation Committee, 30 June 1989.
 PIDOC 640 Inner ring road phase III, report to Planning Committee, 19 December 1991
 PIDOC 650 Study brief for inner ring road study consultants, Norwich City Council, March 1992
 PIDOC 700 Mr Brian Smith's proof of evidence.
 PIDOC 1001 Ms Denise Carlo's proof of evidence background to the proposals
 PIDOC 1002 Appendices to background to the proposals
 PIDOC 1015–16 Traffic restraint option, proof of MTRU, Mr K.Buchan.
 PIDOC 1017–18 Ms J Karas air quality aspects – proof of Ms J Karas
 PIDOC 1022 Mr B Labbett's proof of evidence 'Ber Street area and the inner link road'

REFERENCES

- Baumgartner, F and B Jones 1991. 'Agenda dynamics and policy subsystems', *The Journal of Politics* 53, 4, 1044-73
- Bosso, C 1988. *Pesticides and politics* Pittsburgh: University of Pittsburg Press.
- Buchanan, C 1963, *Traffic in towns: a study of the long term problems of traffic in urban areas*. London: HMSO.
- Carlo, D 1996. 'Case history no 2 Norwich', in J Stewart, J.Brady and E Must (eds) *Roadblock: how people power is wrecking the roads programme*. London: Alarm UK.
- City of Norwich Plan 1945 Norwich City of Norwich Corporation
- Department of the Environment (DoE) 1992. PPG 12 *Development plans and regional planning guidance*. London: HMSO
- Department of the Environment/Department of Transport (DoE/DoT). 1994 *Planning policy guidance: transport* PPG13 London HMSO.
- Dudley, G and J. Richardson. 1996a 'Why does policy change over time? Adversarial policy communities, alternative policy arenas, and British trunk roads policy 1945-95', *Journal of European Public Policy* 3, 1, 63-83
- . 1996b 'Promiscuous and celibate ministerial styles policy change, policy networks and British roads policy', *Parliamentary Affairs* 49, 4, 566-96
- . 1998 'Arenas without rules and the policy change process. outsider groups and British roads policy', *Political Studies* 46, 4, 727-47
- Hall, Peter A. 1993. 'Policy paradigms, social learning, and the state: the case of economic policymaking in Britain', *Comparative Politics* 25, 3, 275-96
- Hendriks, Frank 1994. 'Cars and culture in Munich and Birmingham' in D.J.Coyle and R.Ellis (eds), *Politics, policy and culture* Boulder. Westview Press
- Jordan, A and J.R. Greenaway. 1998 'Shifting agendas, changing regulatory structures and the "new" politics of environmental pollution. British coastal water policy, 1955-1995', *Public Administration* 76, 4, 669-94
- Kingdon, J W. 1984 *Agendas, alternatives, and public policies* Boston and Toronto Little, Brown & Co
- Marsh, D. (ed.) 1998. *Comparing policy networks*. Buckingham: Open University Press
- Marsh, D and R A W Rhodes. (eds) 1992. *Policy networks in British government*. Oxford OUP.
- Newman, R. 1988 *The road and Christ Church meadow The Oxford inner relief road controversy 1923-74. a study of the relationship between central and local government* Oxford Bookmarque Publishing
- RCEP (Royal Commission on Environmental Pollution) 1994 *Eighteenth Report: Transport and the Environment* Cm 2674. London: HMSO
- Rhodes, R.A.W 1981 *Control and power in central local government relations* London: Gower.
- . 1988 *Beyond Westminster and Whitehall* London: Unwin Hyman
- . 1997 *Understanding governance policy networks, governance, reflexivity and accountability* Buckingham: Open University Press.
- Sabatier, P A 1987. 'Knowledge, policy orientated learning and policy change' *Knowledge, creation, diffusion, utilisation* 8, 4, 649-92
- . 1988 'An advocacy coalition framework of policy change and the role of policy learning therein', *Policy Sciences* 21, 129-68
- . 1998. 'The advocacy coalition framework. revisions and relevance for Europe', *Journal of European Public Policy* 5, 1, 98-130.
- Sabatier, P.A. and H Jenkins-Smith (eds). 1993 *Policy change and learning* Boulder Westview Press
- SACTRA (Standing Advisory Committee on Trunk road Assessment), 1994 *Trunk roads and the generation of traffic*. London HMSO
- Smith, Martin J. 1989. 'Changing agendas and policy communities', *Public Administration* 67, 2, 149-65
- Whalley, J.L.S. 1993. *Report of inquiry Norfolk County Council application by Norfolk County Council in respect of the proposed Norwich inner ring road phase III* London: DoE

Date received 12 January 1999. Date accepted 26 May 1999.

Politics

Surveys and Debates for Students of Politics

**Published by Blackwell Publishers Ltd for the
Political Studies Association**

Edited by Charles Lees & Paul Taggart

Since its launch in 1980 *Politics* has carved out a distinctive niche for itself. Amazingly broad in scope and readable in style, it explores developments in contemporary politics in the UK, Europe and the world and serves as 'the bulletin board' for the discipline.

Articles and debates deal with key issues of our times such as stakeholding, social exclusion, intervention in Kosovo, devolution in the UK, the changing shape of Europe, major elections in various countries; the politics of immigration and the effects of globalisation as well as covering the major themes of the discipline of politics such as the fate of the nation state; democracy and civil society; political parties; NGOs; the role of institutions; *Politics* complements this with a strong record in political philosophy in its consideration of the ideas of Gramsci, Mill, Hobbes, Rawls, Laski and Hegel. *Politics* is a fascinatingly accessible source which students and faculty will enjoy reading issue after issue.

Politics ISSN: 0263-3957. Volume 20 (2000) contains 3 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk



BLACKWELL
P u b l i s h e r s

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jnlinfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

POLICY NETWORK CREATION: THE CASE OF ENERGY EFFICIENCY

DAVE TOKE

What can broadly be described as a policy community has been established with the central purpose of co-ordinating policy implementation in the field of energy efficiency in domestic buildings. A complete understanding of the processes of policy network formation cannot be achieved in this case without a thorough analysis of the construction of cognitive structures which influence the behaviour of actors and underpin the policy network. Discourse analysis is an effective means of studying cognitive structures. An understanding of the creative and unpredictable role of agents such as ministers is also important, suggesting that the study of policy network formation can be enlightened by a historical institutionalist approach that involves a role for agency as well as structural influences. The formation of the energy efficiency policy network is studied in the context of a critique of an earlier 'economic' institutionalist case study of policy network formation.

INTRODUCTION

The aim of this paper is twofold. First, to develop explanations of policy network creation and persistence. Second, to throw light on the formation of a policy network in the case of energy efficiency policy, a topic that has been heavily influenced by environmental concerns. In pursuing the first aim I shall criticise an 'economic' institutionalist explanation of the formation and persistence of policy networks as put forward by Blom-Hansen (1997). I also try to elaborate an alternative explanation using what might be called a historical institutionalist outlook. In doing so I shall use discourse analysis techniques. The utility of this explanation and these techniques will be illustrated in the context of the case study of the formation and operation of what I call the energy efficiency in buildings policy network.

The importance of study of network formation is emphasized by Hay who comments that it is 'sadly overlooked'. He continues:

The assumption seems to pervade the existing literature...that networks are always present, always already pre-constituted. The question of their formation is thus persistently deferred. This is unfortunate. For if distinctive aspects of network formation and structure are to be explained (as opposed to merely elucidated, detailed and described), an understanding of the legacy and hence the very process of network formation is essen-

Dave Toke is a Lecturer in Politics in the Department of Political Science and International Studies at the University of Birmingham.

tial. Although networks are dynamic and adaptive strategic alliances, this evolution is nonetheless path dependent (Hay 1998, p. 45).

The article will proceed from a brief discussion of the uses and perceived limitations of policy network analysis to an explanation of the Blom-Hansen study of network formation. There will then be an elaboration of an alternative analytical strategy. This strategy will be used to analyse the formation and operation of the energy efficiency in buildings policy network. Finally, conclusions will be drawn concerning how policy network analysis can be used and developed.

POLICY NETWORK ANALYSIS AND ITS USES

Ever since work by Richardson and Jordan (1979), policy network analysis has proved to be a popular tool for analysing decision making and interest group influence in government. There is a broad consensus among political scientists that the tool is useful, at least, in the sense that it can be used to describe the locus of decision making and the degree of inclusion or exclusion of interest groups in policy making in defined sub-sectors of government (Marsh and Rhodes 1992; Marsh 1998). Daugbjerg (1998a) has argued, using examples drawn from the field of environmental policy, that the type of policy network can influence the type of policy that emerges. Using the Marsh and Rhodes model (1992) as a starting point, Daugbjerg (1998b) has developed his own model of the differences between policy communities and issue networks (see table 1).

However, there is controversy over the usefulness of network theory in explaining network change. This controversy has frequently featured environmental policy, an important area of policy change in recent years in fields such as transport where 'outsider' environmental groups have appeared to overcome policy communities (Dudley and Richardson 1998) and agriculture where change has been more incremental in character (Smith 1990, 1993; Winter 1996).

Nicholas Ridley's decision to postpone water privatization and set up an independent National Rivers Authority in contrast to his original proposal

TABLE 1 *Extremes on the policy network continuum*

Dimensions	Policy community	Issue network
Membership	Very limited number of members. Narrow range of interest represented	Large number of members. Wide range of interests represented
Integration	Bargaining and negotiation Frequent interaction	Consultation. Unstable pattern of integration
Institutionalization	Consensus on policy, principles and procedures to approach policy problems	Conflict over policy principles and procedures to approach policy problems

to allow the private water companies to regulate themselves, is also an example of outsider environmental pressure overcoming a policy community (Richardson *et al.* 1992). Yet this case study has been cited as evidence of weakness in the policy network model by a critic from the school of rational choice institutionalism, Keith Dowding. His verdict on network theory is: 'Whilst the metaphors are heuristically useful, as they have to be if they are to be metaphors, they are incapable of explaining transformation ... it does not explain community breakdown, nor issue network transcendence, nor the dynamics of change' (Dowding 1995, p. 139).

Instead, Dowding suggests that efforts to model the behaviour of the actors, what he sees as the driving force behind policy outcomes, are likely to be more fruitful if explanations of policy outcomes, are and presumably network change are to be sought. Blom-Hansen, to whom I now turn, attempts to build on Dowding's analysis by using an 'economic' version of rational choice institutionalist modelling techniques to explain the formation and persistence of policy networks.

ECONOMIC INSTITUTIONALISM AND POLICY NETWORKS

What I will call the first premise of Blom-Hansen's analysis is that institutions are created to solve distributional problems and that this is a promising way of explaining policy network emergence. He cites Knight who argues that since institutions are created by agents who pursue their own self interest, then institutions must be governed by distributional rather than collective motives (1992, p. 38). A second premise involves seeing 'individuals as rational beings in the pursuit of self-interest by means of a logic of consequentiality' (p. 674). This presumably means that actors pursue their rational self-interest to obtain goals through actions which they believe will obtain these goals. Institutions, in this view, act as constraints on the actions of actors. A third premise is that network change and policy outcomes are not brought about by the networks themselves, but by changes in 'the relative bargaining power of the actors' (p. 685) caused, in turn, by external factors. The example of the Danish budget negotiations between central government and municipalities in the 1970s and the 1980s is used to illustrate this argument.

Blom-Hansen's distinctive contribution to the study of network formation, albeit developed from work by Ostrom (1986), lies in his elaboration of design rules for policy networks that, he says, emerge from a process of bargaining between the actors. These are set out in table 2. I shall now turn to some weaknesses in the 'economic' institutionalist approaches to policy network formation.

ECONOMIC INSTITUTIONALISM AND POLICY NETWORKS – WHAT THE APPROACH LACKS

I wish to question the three premises used by Blom-Hansen which I outlined earlier.

TABLE 2 *Policy networks as institutions*

	Policy communities	Issue networks
1. Position rule	Members	Affected interests
2. Boundary rule	Mutual recognition	Free entry and exit
3. Scope rule	Policy	Policy
4. Authority rule	Co-operation	Intrusion
5. Aggregation rule	Unanimity	Unilateral decisions by dominant actors
6. Information rule	Exchange of expertise and judgements	Expressions of opinion
7. Pay-off rule	Influence	Being heard

Source. Blom-Hansen (1997, p. 676)

The problem with the first premise, that policy networks exist mainly to solve distributional rather than collective problems, is that the difference between a distributional and a collective co-ordinating role for an institution will be a matter of interpretation. Neither Knight nor Blom-Hansen set any 'tests' to allow us to determine whether a given institution is pursuing collective or distributional functions. Consequently their statements on this subject remain as assertions and cannot be proven since they lack the criterion of falsifiability. Even in Blom-Hansen's treatment of Danish budget negotiations, there is confusion in that he states at one point that in Danish conditions 'fiscal policy is simply not possible without some form of co-ordination' (p. 678) which conflicts with his later statement that 'a focus on actors in pursuit of distributional advantages seems a promising way of explaining institutional emergence in the area of interest group politics' (p. 682).

Part of the problem with the second premise concerning actors pursuing clearly defined self-interests with strategies that will achieve these goals is that not only do actors usually have only an imprecise knowledge of how their interests can be pursued, but also efforts made to pursue their interests frequently have unintended consequences. Hay and Wincott (1998) criticize rational choice methodology for the apparent structuralist assumption that actors inhabiting a given social location have an identical set of preferences. For example, politicians may have their own individual agendas, as we shall see later.

Another part of the problem with this second premise is that there is little concern about the origins of the preference sets, which are said to determine self-interest, that are common in particular locations. König and Brauninger (1998) establish that actors in policy networks do have a degree of common preferences, but rational choice theorists make no attempt to study the common world views from which they originate; surely a key issue if we are to trace how the policy networks themselves originated.

This is related to a central problem with the third premise concerning how the relative bargaining power of the actors produces network change

and determines policy outcomes. Blom-Hansen's assumption is that power is simply associated with discreet actors, and that relative power shifts occur because of changing external factors. Yet it may make at least as much sense to use the formulation used by Foucault (1977, 1980) and speak of power being a set of relations that results from discursive acts, rather than something that is possessed or exercised by individual actors. Thus if we are going to understand shifts in power balances we have to study the shifts in dominant discourses that govern the shifting power relations. This decentred Foucauldian treatment of power may be incomplete, but it may be that we are missing a crucial dimension of power relations in a policy network if we do not analyse the discourse that is dominant in that policy network. The study of dominant discourses may also be crucial if we are going to understand the factors that act to constitute actors' perceptions of their own self-interest. It is certainly inadequate simply to refer briefly to external factors that affect the power of actors in a network, especially, as we shall see, the meaning of these 'external' factors does not arise in some self-evidential manner but is subject to a process of social or discursive construction (Liberatore 1995).

This is certainly the case with many contemporary environmental problems such as acid rain, ozone depletion, radiation from nuclear power and global warming. It is therefore crucial to the goal of understanding of how policy networks in such areas have formed to study how the cognitive structures, that is views of goals and reality associated with the problem, have developed.

Problems like that of global warming are recent occurrences, not so much in their physical existence (for man-made impact on carbon dioxide concentrations is held to be long-standing), but in terms of their social, or discursive construction. The way in which the problem is constructed, how important it is to combat the problem and the relevance of different technical means and economic instruments to combat the problem are issues that have been evolving, at least as major public policy issues, only since the 1980s. Indeed the way such issues are being seen is still changing, and, if the recent past is anything to go by, are likely to change considerably more in the future.

The nature and degree of coherence of the cognitive structures associated with policy networks will have a very great effect on the nature of the policy networks and the outcomes of policy decisions that emerge from these networks. The existence, or otherwise, of a shared world view on the policy area in question will heavily influence what Blom-Hansen calls the design rules of the network. For example, the extent to which there is co-operation between network participants will be largely contingent on whether there is a coherent, shared world view of the policy area being considered by the network participants. Hence the nature and development of the cognitive structures is of crucial importance to network formation and persistence. Since cognitive structures are shaped and transmitted

through discourse, then their development can be analysed through analysis of discourse.

DISCOURSE ANALYSIS

Hajer (1997) says 'Discourse is here defined as a specific ensemble of ideas, concepts and categorisations that are produced, reproduced and transformed in a particular set of practices and through which meaning is given to physical and social realities' (p. 44)

Citing Foucault, Hajer argues that discourse both reflects interests and acts to constitute those interests so that ideas shape conceptions of interests and interests shape dominant ideas. A dominant discourse is a statement of both power and knowledge which constitute truths. This is crucial for the study of institutions like policy networks, for as Hajer puts it: (discourse) 'is itself part of reality, and constitutes the discoursing subject. Foucault's theory of discourse shows that the reference to institutional backgrounds or vested interests is an unsatisfactory circular explanation because institutions are only powerful in so far as they are constituted as authorities *vis-à-vis* other actors through discourse' (p. 51)

What we need to look for is that storyline which constitutes the dominant discourse associated with a particular policy network, and the explanation of the network's formation will profit from a study of how that discourse developed. Hajer discusses the notion of a story line that can be gleaned from a study of texts. I shall trace the development of the dominant energy efficiency story line that formed the cognitive structure of the policy network. It is necessary to pay due attention to the role of agents in order to avoid the structuralist traps of which Hay and Wincott have warned. The discursive construction of the cognitive structures that formed the bedrock of the energy efficiency policy network will be the centre point of the next section.

DISCURSIVE CONSTRUCTION OF ENERGY EFFICIENCY

The 1970s oil crises and the 1992 Rio Conference on Environment and Development can be cited as important exogenous factors influencing energy efficiency policy, but the effect of such factors are themselves socially mediated and interpreted through discourse. The impact of the 1970s oil crisis put the concept of energy conservation at the centre of government's concerns. A government Green Paper on Energy Policy (Department of Energy 1978) put it thus:

There is now wide agreement that world oil supplies cannot continue to increase for much more than a decade or so and will thereafter become increasingly scarce and expensive.... The world as a whole will have to turn to other sources of energy (para.1.1, p.1).... In the 1960s and early 1970s, with oil available in apparently unrestricted quantities and at low and even falling prices, the levels of efficiency at which energy was used

seemed of little importance. The rapid rise in energy prices in 1973 and 1974 radically changed this situation.... since then it has become increasingly clear that energy prices are likely to rise in real terms and that the scope and need for energy conservation will increase (para.5.1, p.19).

The central arguments for energy conservation were put in para 5.2, (p.19), and chiefly reflected concerns about exhaustion of energy resources:

The efficient use of energy resources saves money for the individual and the firm, increases industrial competitiveness and reduces the proportion of our national resources that has to be put into supplying energy. It reduces the rate at which finite reserves of energy such as coal, oil and natural gas are being used, postponing the time when they can no longer meet an expanding demand and their ultimately replace them. It makes less formidable the world-wide problem of meeting, expensively and with difficulty, an expanding demand for energy. Reducing the production and use of energy through greater efficiency lessens the impact of energy on the environment....

The finite nature of energy resources seemed to be far and away the chief argument for energy conservation with relative economic competitiveness being a secondary argument and environmental criteria being a third, but rather subsidiary, concern.

The subsidiary nature of the environmental concern can be seen clearly in the case of nuclear power policy where there was concern expressed about the issues of nuclear waste disposal and plutonium production, but these sentiments were rendered impotent by statements like: 'Nuclear forecasts set put in Annex 1 imply a steady build-up in nuclear ordering in the second half of the 1980s and 1990s and a maximum total of nuclear capacity of around 40 GW by the end of the century. . This upper limit is low in comparison with those that are sometimes made for the year 2000' (para. 10.18, p. 55). Even the 40 GW estimate represented a major expansion programme, more than three times the size of the actual nuclear capacity existing in the year 1999. The document discussed the acid rain and global warming issues but gave them a relatively low priority:

In the case of sulphur dioxide.... the use of tall stacks at modern power stations prevents pollution from this source from contributing significantly to ground level concentrations in urban areas. . It has been claimed that sulphur dioxide emitted in the UK and other countries causes damage to the environment through increasing the acidity of rain in Scandinavia and this is currently under discussion with OECD and the United Nations Economic Commission for Europe (para. 12.10, p.65).

The only comment on carbon dioxide was:

In the case of carbon dioxide the increased burning of fossil fuels has been accompanied by a significant increase in global concentrations. In

theory this increase could make the climate warmer although no firm evidence for such an effect has yet been obtained. The subject is under continuing study both in the UK and other countries (para. 21.11, p.65).

In other words no particular action was needed in the face of unproved claims about which there had not even been agreement at an international level.

An energy policy paper published at the beginning of 1979 (Department of Energy 1979) commented that; 'Conservation is now one of the three main components – the others being coal and nuclear power – of the Government's long-term energy policy' (p.v). Thus the dominant discourse at the end of the 1970s concerning energy conservation was that it was an essential pillar of energy policy needed to combat the effects of the oil scarcity that had emerged during the 1970s.

The Labour government launched a £450 million programme with a heavy emphasis on improving the energy efficiency of the building stock, much of which was eventually implemented by the incoming Conservatives. The fuel poverty issue emerged following the oil crisis, partly as a result of lobbying by environmental and other voluntary groups (Boardman 1991). Although energy prices fell after 1985, it remained as a significant public spending programme. In 1990 the anti-fuel poverty programme was reorganized in the guise of the Home Energy Efficiency Scheme (HEES).

This period saw the emergence of a group of companies who traded in insulation, efficiency related buildings products and energy control technologies. These companies backed the formation, in 1981, of the Association for the Conservation of Energy (ACE) which aims to promote the cause of energy efficiency.

In the 1980s the notion of imminent energy resource depletion receded (Foley 1987, p.287). Moreover, by 1981 the UK gas industry was being earmarked for privatisation which meant that the government had no interest in suggesting that future gas sales were going to be limited (Interview 2). Energy conservation was discursively reconstructed as 'energy efficiency' which fitted in with the competitive, market oriented strategy that Energy Secretary Peter Walker wanted to promote. He expanded the Energy Conservation Unit, which had been created in the 1970s, and renamed it the Energy Efficiency Office (EEO) in 1983, saying:

The setting up of the EEO reflects our commitment to policies which will encourage increased efficiency in energy use, give consumers better value for money and increase industrial and commercial competitiveness (Walker 1983).

The energy bill is about £35 billion. If we operated to the best standards that are being implemented in other countries there would be a saving of £7 billion a year. There is enormous potential for improving our energy

efficiency and it is in this area that every effort should be made (Walker 1985).

This discourse formed a key cognitive structure for what became the first steps in the energy efficiency policy network. In 1986 civil servants promoted the formation of a trade group, the Building Energy Efficiency Confederation (BEEC) in order to help develop the energy efficiency strategy. However, this network was only a pale reflection of how the network developed ten years later. The network involved only a eight organizations, contact with civil servants was fragile and sporadic and the Energy Efficiency Office was the only lever of power available to the network. The energy efficiency lobby complained that their interests were very secondary to that of the main client groups at the Department of Energy, the energy suppliers (Interviews 4 and 3).

But the case for energy efficiency was again discursively reconstructed by the arrival of the global warming issue as a key concern in the late 1980s. Environmental organizations, and ACE, began campaigning for energy efficiency as a means of reducing carbon dioxide emissions. In 1990 the government announced that it was 'prepared to set for Britain the challenging target...of reversing the upward trend in emissions of carbon dioxide and stabilising them at 1990 levels by 2005'. The White Paper, *This Common Inheritance* continued:

Energy efficiency improvements can help to combat acid rain as well as global warming. They are also in the economic interests of energy consumers – from individuals in their own homes to large companies. ... The Government already actively promotes energy efficiency measures; there were improvements in the energy ratio (energy consumption per unit of GDP) every year in the 1980s in spite of falling energy prices in that period. In 1989 Britain produced 25 per cent more GDP than in 1979 without using any more energy. Since 1983 the Energy Efficiency Office has spent some '130 million to stimulate better energy management. This has resulted in continuing savings estimated at over '500 million a year (Department of the Environment 1990, pp.69–70).

This statement emphasized the discursive shift away from seeing energy efficiency as being needed to combat the effects of rising energy prices and instead to the twin objectives of saving money for consumers and meeting environmental objectives. The statement could also be interpreted as implying, by its comment that energy consumption had not altered since 1979, that a target of stabilizing carbon dioxide emissions may not be so radical after all.

In May 1992 Michael Howard, the Secretary of State for the Environment, told the House of Commons:

The Prime Minister has announced that, as a contribution to the international response to the threat of climate change, the United Kingdom

is prepared if other countries take similar action to set itself the demanding target of returning its carbon dioxide emissions to 1990 levels by the year 2000 (note: not 2005). The Government are already putting action in hand to limit emissions. The Government, British Gas, OFGAS and 11 of the regional electricity companies in England and Wales have today become partners in an important initiative to save energy and so protect the environment. They have agreed to establish an independent Energy Saving Trust.... The Trust will develop, propose and manage programmes to promote the efficient use of energy.

The government also promised to strengthen building regulations and develop energy efficiency training programmes. Howard concluded that: 'Taken together, these measures represent an important step in the development of the Government's policy on energy efficiency as a means of combating the threat of global warming and the meeting of the Government's target for limiting carbon dioxide emissions' (Howard 1992).

Although the Framework Convention on Climate Change (FCCC agreed at the United Nations Conference on Environment and Development at Rio soon after Howard's statement) was an important factor, it reinforced rather than originated the change in environmental policy. According to John Gummer, who had served as Agriculture Minister and in 1993 took over from Howard at Environment:

The Rio Conference was important for establishing a number of specific initiatives such as the sustainability round table, green ministers and Agenda 21 programmes, but the commitment to energy efficiency arose because of the commitment to sustainable development. I was constantly looking at what sustainable development demanded of us and this meant a package of measures of which energy efficiency was just one, (Interview 8)

Initially the Energy Savings Trust (EST) published ambitious plans for a programme of spending on energy saving to reach £400 million a year by the year 1998–99 (EST 1993, p.13). However, funds envisaged to come from levies on electricity and gas prices did not materialise in the quantities needed because of opposition from the regulators of both OFFER and OFGAS, especially Clare Spotiswoode, the OFGAS Regulator. Gas and electricity pricing policies were decided in a policy network consisting of the main gas/electricity distributors and the issue of energy efficiency was peripheral to such discussions (Interview 1). DOE ministers could not compel the Regulators to agree to levies since they were responsible to the DTL. The shift from coal to gas fired electricity generation combined with other factors meant that the UK now seemed likely to meet the FCCC commitment without a big energy efficiency programme, so political pressure to force the Regulator's hands was weak (Interview 11). But despite this setback, the institutional position of the energy efficiency lobby had been improved in various ways.

The reconstruction of energy efficiency as being primarily an environmental issue was reflected in the government's conclusions of its coal review which followed the uproar triggered by announcements of coal closures (mainly because of construction of new gas-fired power stations) in late 1992. Environmental criteria crept into the central aims:

The development and use of energy is of fundamental importance to a prosperous and successful economy. The aim of the Government's energy policy is to ensure secure, diverse and sustainable supplies of energy in the form that people and businesses want at competitive prices. This aim needs to be pursued in the context of the Government's economic policies as a whole, of other Government policies, especially on health, safety and the environment... (Department of Trade and Industry, 1993, p.12).

Note the use of the word 'sustainable' as well as 'environment'. The document discussed energy efficiency under the 'Energy and Environment' section where it was stated:

Energy efficiency is widely recognised as one of the quickest and most effective ways of limiting power station emissions, by reducing the demand for electricity and so the amount of fossil fuel that needs to be burned. ... In recognition of the close links between energy efficiency and the environment, the Energy Efficiency Office was transferred to the Department of the Environment as part of the reorganisation of Government Departments following the April 1992 General Election (1993, p.64).

This transfer of responsibility illustrates how non-discursive design rules or structures are affected by changes in cognitive structures.

In 1994 the government described the main elements of the energy efficiency programme:

A key element of the programme is ensuring that appropriate price signals are given to households. Domestic fuel and light prices are on average 17 per cent cheaper now than they were in 1983 in real terms ... In March 1993 the Government announced that it would be introducing Value Added Tax (VAT) on domestic energy, at 8 per cent from April 1994 and the standard rate (currently 17.5 per cent) from April 1995..

The second main element... is the provision of advice and information, both to increase awareness of the need to take action to reduce carbon dioxide emissions and to advise on the most cost-effective actions. ..

The third main element of the programme is the provision of financial incentives. In November 1992 a new Energy Saving Trust was established.... The Trust's aim is to promote the efficient use of energy, focusing initially on the domestic sector in particular....

The fourth and final element of the programme is the setting of appropriate (energy efficiency) standards for new buildings and appliances.... (Department of the Environment 1994).

Whereas the dominant discourse on energy efficiency at the end of the 1970s stated that energy efficiency was a means of keeping energy prices down, it was now a case of higher energy prices being needed to encourage energy efficiency. But higher VAT was widely perceived as a revenue raising, not an environmental, measure.

Following the controversy over imposition of VAT on energy, which was seen as hurting the fuel poor, the EST received some £25 million a year in funds from the DOE. In the words of Robert Jones, who was appointed as a junior minister in the summer of 1994, 'But for this money the EST would have been thrown to the wolves. Other civil servants and other ministers wanted that money. John Gummer fought hard for it' (Interview 5).

We can see here that agents such as Peter Walker and John Gummer helped to shape the institutional setting of energy efficiency policies; agency factors also feature prominently in the controversy over the Home Energy Conservation Act (HECA) and in the development of the energy efficiency policy network. Here, campaigners for energy efficiency, and especially the energy efficiency minister, Robert Jones, were to play distinctive roles.

The Home Energy Conservation Bill (HECB) was originally proposed by the Green Party through Cynog Dafys MP, and was quickly backed by ACE. Its central aim was to make local authorities prepare plans for cutting carbon dioxide emissions by 30 per cent in respect of all residential properties in their area.

The campaigners for HECB described the required measures as:

... loft insulation; draught proofing windows, doors and letter boxes; cavity wall insulation; double glazing and under floor insulation are all methods of insulating homes to achieve energy conservation.... Energy conservation can reduce fuel expenditure by up to 50 per cent.... Reduction in fuel consumption will also reduce the amount of atmospheric pollution and diminish the problem of global warming ... The Energy Conservation Bill will create jobs in manufacturing, delivering and installing energy efficiency measures.... because of their inability to afford adequate warmth, many thousands of poor people will die every winter from cold-related illnesses.... The direct effects of the Energy Conservation Bill will be that consumers will be less subject to fuel poverty' (Bailey 1993).

Thus there were five key elements of the 'HECB' discourse, low technology domestic energy conservation measures, saving consumers' money, cutting carbon dioxide and other emissions, job creation and combating fuel poverty. The campaign organizers chose this presentation as one that was anticipated to maximize support from voters (Interview 10).

Despite opposition from the Treasury, the bill was eventually passed (in

summer of 1995) in a watered down form after some vigorous campaigning by ACE and its allies in the Green Party. They harried MPs sufficiently to induce the Whips to argue, alongside Robert Jones, for the Treasury to accept a version of the bill (Interview 5). Tactics used by the campaigners included securing statements from Conservative MPs in support of the bill, such as those given by the whip Michael Bates and the backbencher Gary Waller (amongst many others) and attacking them locally through the press and mailings to voters when they were required to vote against the bill on government orders (Interview 10).

Robert Jones recognized that the bill 'added an extra dimension to government activity on energy efficiency'. Jones himself saw to it that the Act contained a statutory requirement on local authorities that they incorporate energy efficiency measures in their applications for government support through the Housing Improvements Programme (HIP) (Interview 5). In recent years HIP has involved expenditure of approaching £1,000 a year.

The passage of the HECA emphasized a pattern whereby the government's main efforts on energy efficiency were directed towards the buildings, and especially the domestic housing, sector. The anti-fuel poverty angle grew in importance following the controversy over putting VAT on energy. This swelled support for the HECB and produced a shift in the dominant discourse on energy efficiency to include the aim of combating fuel poverty. The new dominant discourse for the Conservative government's energy efficiency in buildings programme was summed up by Jones when he told the Commons that the government's programme: 'makes sense for the national and global environment, the health of our economy and the people who live in the properties concerned' (Jones 1995).

Another indication of the discursive shift towards fuel poverty and jobs was given in a speech by Tony Blair in February 1996:

Our policy is to cut fuel bills and emissions by a nation-wide programme of energy efficiency work for householders.... It will save millions of tonnes of carbon dioxide. It will immeasurably improve the quality of life for those currently living in fuel poverty by cutting fuel bills for many householders. And we estimate it could create up to 50,000 new jobs (Blair 1996).

The concentration on the domestic sector has been maintained by the Labour government as represented by the DETR's policy statement on energy efficiency updated in April 1999:

Energy – gas and electricity – used in the home is responsible for 25 per cent of the UK's carbon dioxide emissions. Carbon dioxide is a greenhouse gas, produced when electricity is generated or gas is burned. It is a major contributor to climate change.

Promoting energy efficiency is therefore a key element of the UK's approach for tackling climate change. It also saves money ... creates jobs,

improves old and vulnerable people's housing, and makes industry more competitive (DETR 1999).

The similarities between this discourse and that which was put forward by the campaigners for HECB is evident, and it is one that clearly had resonance with voters. Counteracting global warming and increasing economic competitiveness remained a priority as was the case before HECA, but combating fuel poverty became more prominent. This is despite the Labour government's commitment to reducing emissions of carbon dioxide by 20 per cent by 2010, a much more stringent target than that accepted by the previous government and one which many energy experts would say could only be achieved by concentrating more on the commercial and industrial sectors, something that is receiving less priority than before (Interview 7).

These statements indicate the outlines of the discourse which serves as a coherent cognitive structure for what has become the fully-fledged energy efficiency in buildings policy network. The discursive reconstruction of the energy efficiency issue is evidence that it is simplistic to view the development of institutions purely as a means of serving the self-interests of the actors involved and it is equally simplistic to study outcomes solely in terms of the bargaining power of the actors. This is because the interpretation of the actors' self-interests and also the bargaining power of those actors will be at least partly constituted by the cognitive structures of those institutions and by the reconstruction of such structures. For example, the discursive reconstruction of the energy efficiency issue from being a resource issue to being a climate change issue shifts the role of coal from being a fuel to be used towards being one to be avoided because of its high carbon content. The interests of the actual and potential network members are altered accordingly.

SETTING UP THE POLICY NETWORK

The development of the policy network, along with the survival of the EST and the passage of HECA coincided with the incumbency of two ministers with an enthusiasm for environmental protection and energy efficiency, John Gummer and Robert Jones. Robert Jones who received solid backing from his boss John Gummer emerged as a key policy broker in this process.

By the beginning of 1996 there were several energy efficiency policy levers housed at the DOE. These included the EEO, the EST, the HEES and the new responsibilities that came with HECA. The heads of the EEO and the EST were concerned that the promotional activities they were organizing were not being co-ordinated with the energy efficiency companies who were supplying the goods and services, and they urged Jones to set up a policy forum (Interviews 5 and 7). Jones himself was also concerned to try to overcome the opposition to funding energy efficiency programmes out of levies on energy supplies that was coming from Clare Spotiswoode, the OFGAS Regulator. He organized what became the core members of the

policy network in an effort to lobby Spotiswoode. In the event this stratagem was unsuccessful, but the arrangement proved useful for other purposes. Gummer backed Jones in the argument with Spotiswoode, and he also backed him in setting up the policy network (Interviews 5 and 6).

Jones had considerable experience of energy efficiency issues, not only because he had been an environmentally active local councillor, but also because of the expertise he gained from serving as Head of Research at the National Housebuilding Council before entering the Commons. In 1993 Jones had chaired the House of Commons Environment Committee and its *Report on Energy Efficiency in Buildings* commented that 'there is a need for a more concerted co-ordinating effort at executive levels' (House of Commons Environment Committee 1993, p.xxvi)

The policy network which Jones established consisted of himself (as minister), DOE civil servants, and the British Energy Efficiency Federation (BEEF) which was co-ordinated by the Association for the Conservation of Energy (ACE). The members of BEEF range from the National Association of Loft Insulation Contractors to the Energy Services Trade Association. Relevant general trade associations are also involved, but the majority are dedicated to energy. In August 1998 there were a total of 21 organizations that were listed as members of BEEF. The Director of the EST attends as an observer. Since the Labour government took office the programme which the network helps co-ordinate is being reorganised in the form of a National Home Energy Efficiency Programme (NHEEP), which among other things integrates the hitherto separately organized HEES.

According to Robert Jones:

The relationship between the Government and BEEF is co-operative involving a two way passage of ideas. Such a network is important to help the government co-ordinate and implement its programme in several fields. For example if the EST is running a scheme to promote energy efficient lightbulbs we need communication between the manufacturers and the EST to ensure that everybody is using a complementary marketing approach. BEEF also gives opinions on regulatory changes that will further energy efficiency objectives (Interview 5).

An example of this latter category is the topic of energy efficiency standards for building regulations which were discussed with civil servants early in 1998 (Interview 4) prior to a public consultation document being issued in August 1998. Whereas previously the energy efficiency lobby was only able to react after proposals had been released, now they are involved in a 'pre-consultative' stage. In addition, BEEF also has leverage over certain specific budgets, including HIP.

By 1999 considerable funds were being targeted at energy efficiency in buildings. This included the £40 million or so of spending that was organized by the EST, the budget of the Energy Efficiency Office, the HEES budget of over £100 million a year and also the Housing Investment Pro-

gramme, which in 1998–99 amounted to £877 million. In the summer of 1998 the Labour government announced increased spending of £113 million, mainly on combating fuel poverty (DETR Press Office 1998).

The policy network meets quarterly with civil servants and every six months with the junior minister for energy efficiency. BEEF meets as a collection of energy efficiency interest groups in the morning and meets the civil servants and/or ministers in the afternoon as the policy network. The agendas for these meetings are selected by BEEF who also choose which civil servants should attend (sometimes from other departments). BEEF asks for reports on specific issues to be drafted. The papers and minutes produced by the policy network are circulated among relevant civil servants.

Using Daugbjerg's classification it seems that the energy efficiency network tends to exhibit more of the characteristics of a policy community rather than an issue network. The range of interests is relatively narrow in the sense that energy supply interest groups are excluded, and although some trade groups are represented they all accept the role of the network to co-ordinate improvements in energy efficiency. There are stable patterns of interaction based on a common purpose and there is relative consensus over principles and procedures to approach policy problems. The glue that binds the network together is a common world view, the cognitive structures formed by the dominant discourse described earlier.

The importance of the cognitive structure is well illustrated even by the attitude of the interest group within the network whose interests are, arguably, the least harmonious with the others. This is AMDEA, the Associated Manufacturers of Domestic Electrical Appliances. In the past AMDEA were unenthusiastic about plans to introduce energy labelling (on energy usage) of white goods such as refrigerators. They saw that energy efficiency was a marginal consumer issue and that regulations promoting it imposed costs on manufacturers (Interview 9). However, by 1996 AMDEA had become convinced that they needed to protect their interests by acting within, rather than against, the energy efficiency lobby. Their world view had changed. Peter Carver, AMDEA Director commented: 'Pressure on us to improve energy efficiency is never ending. Unless we agree voluntary codes, regulations at a European level are inevitable (Interview 8).

AMDEA now hold a world view that pressures for energy efficiency on account of the concern over the climate change issue are likely to continue. Thus their notion of self interest, is constituted by this discourse and they now see their interests as being served by co-operating with efforts to improve the energy efficiency of electrical appliances. Some of their other members make electric fires, and here their interests are directly in conflict with the EST policy of funding conversions of electric heating to gas heating. Gas heating is associated with lower carbon dioxide emissions compared to electric heating which will draw its power mainly from coal-fired power stations. But even here AMDEA justifies its position in terms of the

networks' common world view, in this case the dominant climate change discourse. Thus Carver states that 'Electric heating is very energy efficient, but it is electricity generated from fossil fuels that produces the carbon dioxide. Rather than promote gas heating the government should instead reduce carbon dioxide emissions during the electricity generation stage by promoting more renewable energy' (Interview 8).

CONCLUSION

The evidence in this study suggests that the energy efficiency in buildings policy network, which broadly resembles a policy community, favours those energy efficiency interest groups who do their business chiefly in the domestic energy efficiency sector. These interest groups now have a secure and influential position in the decision-making process as opposed to the marginal position they suffer in the policy networks dealing with electricity and gas regulation. They are, however, now able to exert some indirect influence over such regulatory issues through the medium of the energy efficiency in buildings policy network. This determines the DETR view in discussions with the DTI. The relative cheapness of the measures used to promote energy efficiency in the sense that high tax measures have not been used and that extensive use is being made of existing programmes such as the HIP supports Daugbjerg's contention that policy communities are concerned with low-cost environmental strategies.

Blom-Hansen's 'economic', rational choice institutionalist explanation of the formation and operation of policy networks is, in the context of this case study, incomplete and in some respects inaccurate. Notions that policy networks exist mainly for distributional reasons, that their formation and persistence and policy outcomes can be explained mainly by analysing the bargaining power of its members and by description of the 'design rules' of the network, are inadequate. Although the energy efficiency in buildings policy network does have distributional functions, this does not explain why it was formed since the distribution of money, through the EST, HEES and EEO occurred anyway before the network was established in its developed form. Rather the policy network was formed to co-ordinate the energy efficiency programmes. In order to assist the expedition of this co-ordinating function the energy efficiency lobby has been given a voice over a range of regulatory issues to help implement government objectives, especially those related to reducing carbon dioxide emissions.

It is also far too simplistic to describe policy outcomes as being determined by the bargaining power of the actors in the network since the bargaining power of the actors is constituted by the shared discourse that forms the cognitive structures which underpin the network. It is necessary to study the development of these cognitive structures in order to obtain more complete explanations of policy outcomes, especially because external policy influences, such as sustainable development, have to be interpreted.

This is broadly compatible with the approach developed by Marsh (1998). However where Marsh speaks of 'contextual' factors such as changing economic, political and knowledge based variables influencing policy network transformation (1998, p.196) it may be more elegant to speak of cognitive structures whose changes need to be examined through discursive analysis.

I believe this case study emphasizes the utility of what has been described as a historical institutionalist approach. This not only demands that we study the historical development of cognitive structures and institutional design rules that constrain actors, but also that we study the role of agents, such as ministers and environmental campaigners who do not necessarily follow structuralized interpretations of their interests. This case illustrates how the role of the institutions and interest groups has been discursively reinterpreted through changes in the dominant discourse producing a new outcome that is the consequence of the sort of dynamic interaction between institutions and interest groups to which Hay and Wincott have alluded (1998, p.956).

ACKNOWLEDGEMENT

The author is grateful for helpful comments on earlier drafts made by Dave Marsh, Colin Hay, Carsten Daugbjerg, the two referees and the Editor.

NOTE

1. In August 1998 BEEF comprised: the Associated Manufacturers of Domestic Electrical Appliances, Association for the Conservation of Energy, Builders' Merchants Federation, Central Heating Information Council, Combined Heat and Power Association, Council for Energy Efficiency Development, Draught Proof Advisory Association, Energy Saving Trust, Energy Services Trade Association, Eurisol UK Ltd, External Wall Insulation Association, Federation of Authorised Energy Rating, Glass and Glazing Federation, Heating and Ventilating Contractors Association, Lighting Industry Federation, National Association of Loft Insulation Contractors, National Cavity Wall Insulation Association, National Energy Foundation, Society of British Gas Industries, The Association of Control Manufacturers, Thermal Insulation Manufacturers and Suppliers Association. The Director of the EST attends with observer status.

INTERVIEWS

1. Interview with David Hauser, Head of Consumer Affairs for the Office of Electricity Regulation, 14 September 1998
2. Interview with R. J. Jones, 6 March 1998. Note. Robert J. Jones is the former head of British Gas's Energy Efficiency Unit while Robert B. Jones, is the former Minister for Energy Efficiency.
3. Interview with Eoin Lees, Director of the Energy Saving Trust, 9 September 1998.
4. Interviews with Andrew Warren, Director of the Association for the Conservation of Energy 20 March 1998 and 9 February 1999.
5. Interviews with Robert B. Jones, former Minister of State at the Department of the Environment, 26 June 1998 and 6 February 1999
6. Interview with John Gummer, former Secretary of State for the Environment, 23 February 1999

7. Interview with Richard Tinson, Chairman, Energy Services Trade Association, 1 March 1999.
8. Interview with Peter Carver, Director, Associated Manufacturers of Electrical Appliances, 10 February 1999.
9. Interview with Mark Hinnells, Research Fellow, University of Oxford Environmental Change Unit 25 February 1998.
10. Interview with Ron Bailey, ACE, Green Party and Friends of the Earth campaigner for the energy efficiency Bill, 18 February 1999.
11. Interview with Philip Ward, Head of Energy and Waste Division, DETR, 16 March 1999.

REFERENCES

- Bailey, R. 1993. *GreenFile 11*, London: Green Party
- Blair, T. 1996. 'Speech by the Rt Hon Tony Blair MP, Leader of the Labour Party to the Royal Society, London', London: Labour Party Press Office
- Blom-Hansen, J. 1997. 'A new institutional perspective on policy networks', *Public Administration* (Winter) 75, 669-93
- Boardman, B. 1991. 'Ten years cold - a decade of fuel poverty' Newcastle upon Tyne: Neighbourhood Energy Action
- Daugbjerg, C. 1998a. 'Linking policy networks and environmental policies. nitrate policy making in Denmark and Sweden 1970-1995' *Public Administration* 76, 2, 275-94
- . 1998b. *Policy networks under pressure: pollution control, policy reforms and the power of farmers* Aldershot: Ashgate Publishing.
- Department of Energy. 1978. *Energy Policy. A consultative Document*. Cmnd 7101. London: HMSO.
- . 1979. *Energy conservation: scope for new resources and long term strategy* Energy Paper 33 London: HMSO
- Department of Environment 1990. *This common inheritance* Cmnd 1200 London: HMSO.
- . 1994. *Climate change - the UK programme*. Cmnd 2427 London: HMSO.
- DETR Press Office. 1998. 'Meacher pledges extra 254 million pounds to protect the environment'. London: DETR
- . 1999. 'Energy, environment and waste', <http://www.environment.detr.gov.uk/energy/index.htm>.
- Department of Trade and Industry 1993. *The prospects for coal: conclusions of the government's coal review* Cmnd 2235. London: HMSO.
- Dowding, K. 1995. 'Model or metaphor? A critical review of the policy network approach', *Political Studies* XLIII, 1, 136-58
- Dudley, G. and J. Richardson. 1998. 'Arenas without rules and the policy change process: outsider groups and British roads policy', *Political Studies* 46, 4, 727-47
- EST (Energy Saving Trust) 1993. *Strategic plan 1993-2000*. London: EST
- Foley, G. 1987. *The energy question*, London: Penguin.
- Foucault, M. 1977. *Discipline and punish* London: Allen Lane/Penguin
- . 1980. *Power/knowledge - selected interviews and other writings 1972-1977* Brighton, Sussex: Harvester Press
- Hajer, M. 1997. *The politics of environmental discourse: ecological modernisation and the policy process* Oxford: Clarendon Press
- Hay, C. 1998. 'The tangled webs we weave', in D. Marsh. (ed.), *Comparing policy networks* Buckingham: Open University Press
- Hay, C., and D. Wincott. 1998. 'Structure, agency and historical institutionalism', *Political Studies* 46, 5, 951-7.
- House of Commons Environment Committee. 1993. Fourth Report *Energy Efficiency in Buildings*, volume 1, together with the proceedings of the committee relating to the report London: HMSO
- Howard, M. 1992. *Hansard*, House of Commons 6th Series, vol. 207 cols. 13-137 (written answers) London: HMSO
- Jones, R. B. 1995. *Hansard*. House of Commons 6th Series, vol. 252, col. 940 London: HMSO
- Knight, J. 1992. *Institutions and social conflict*. Cambridge: Cambridge University Press
- Konig, T., and T. Brauningner. 1998. 'The formation of policy networks, preferences, institutions and actors' choice of information and exchange relations', *Journal of Theoretical Politics* 10, 4, 445-71.

- Liberatore, A. 1995. 'The social construction of environmental problems', pp 59–84 in P. Glasbergen and A. Blowers, *Environmental policy in an international context – perspectives* London: Arnold.
- Marsh, D., and R. A. W. Rhodes. 1992. *Policy networks in British government* Oxford: Oxford University Press.
- Marsh, D. (ed.) 1998. *Comparing policy networks*. Buckingham: Open University Press.
- Ostrom, E. 1986. 'An agenda for the study of institutions', *Public Choice* 48, 3–25.
- Richardson, J. and A. Jordan. 1979. *Governing under pressure: British democracy in a post-parliamentary democracy* Oxford: Martin Robertson.
- Richardson, J., W. Maloney and W. Rudig. 1992. 'The dynamics of policy change: lobbying and water privatization', *Public Administration* 70, 2, 157–75.
- Scott, R. 1995. *Institutions and organisation*. Thousand Oaks, California: Sage.
- Smith, M. J. 1990. *The politics of agricultural support in Britain* London: Dartmouth.
- . 1993. *Pressure, power and policy* London: Harvester Wheatsheaf.
- Walker, P. 1983. *Hansard* House of Commons, 6th Series, vol. 47 col. 257. London: HMSO.
- . 1985. *Hansard* House of Commons, 6th Series, vol. 76 col. 891. London: HMSO.
- Winter, M. 1996. *Rural politics*. London: Routledge.

Date received 27 November 1998. Date accepted 14 July 1999.

PROGRESSIVE REGIMES, PARTNERSHIPS AND THE INVOLVEMENT OF LOCAL COMMUNITIES: A FRAMEWORK FOR EVALUATION

MIKE SMITH AND MIKE BEAZLEY

This paper examines the nature of community involvement in urban politics as it is played out through regeneration partnerships. At a theoretical level, it explores the potential for a community dimension to local governance, that is, a strategic influence for communities within local power structures. It is argued that the nature of involvement can be explicated by considering three concepts: power (as expressed by urban regime theory), participation and partnership. The paper explores these three broad themes and then focuses on the particular issues pertaining to community involvement in partnership working. Building on this framework, the paper develops a model – a ‘wheel of involvement’ – for analysing the effectiveness of community involvement in regeneration partnerships. This model enables the effectiveness of involvement to be ‘quantified by the use of a simple questionnaire survey. It provides a tool for academic researchers and practitioners concerned with evaluating partnerships to begin to explore the quality and level of community involvement in the process of urban renewal. The results of an analysis of two regeneration partnerships are presented as an illustration of the efficacy of the evaluative technique.

INTRODUCTION

The move to multi-sector partnerships as the vehicle for delivering urban policy objectives has created the opportunity for greater community involvement. This is reflected in the frequency with which capacity building and empowerment appear in bids for regeneration funds. But what is the reality behind the rhetoric of involvement? Does greater community involvement afford the scope for an impact on strategic decision making – a community coalition or regime – or is partnership making merely a pragmatic response to budgetary constraint by local policy makers? This paper develops a model for measuring community involvement¹ in regeneration partnerships by drawing on three debates. It begins by exploring the explanations of community involvement to be found in urban regime theory and goes on to consider the quality and level of involvement expounded by ideas of participation and partnership. This paper develops a survey technique by focusing on selected literature relating to community partnerships, then distilling and operationalizing the three concepts. The technique is then used to analyse two regeneration partnerships and the results presented. The model provides

Mike Smith and Mike Beazley are in the School of Public Policy at the University of Birmingham.

Public Administration Vol. 78 No 4, 2000 (855–878)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA

a comparative tool for academic researchers and practitioners concerned with evaluating partnerships to begin exploring the quality and level of community involvement in the process of urban regeneration.

THE CONTEXT FOR COMMUNITY INVOLVEMENT I: POWER STRUCTURES

Urban regime theory

Urban regime theory (URT), writes DiGaetano (1997, p. 846), 'was developed to explicate the nature of local power structures and their importance for political decision making'. URT developed, originally, in the United States through longitudinal studies of decision-making hegemonies in cities (perhaps most notably those of Stone and Sanders (1987), Stone (1989) and Elkin (1987)). The theory is an attempt to explain the processes of city governance that are said (Stoker 1995) to lie outside the scope of pluralist or élitist traditions. It is no longer enough to identify a ruling élite or to prove the instability of a ruling élite, today's decision-making coalition – its regime – is broadly based, and, moreover, offers long-term stability. That is not to say that élites do not exist or that some groups are not advantaged in the resources and capabilities they can exert. As Elkin (1987, p. 100) points out: 'The battlefield of city politics is not flat but is tilted toward an alliance of public officials and land interests'. It is merely that the complex environment in which the government of city space is conducted requires the building of a capacity to govern which will of necessity include a range of interests and actors.

In interpreting the use of political power, URT moves away from the idea of power as a coercive force to its role in social production – the power to get things done rather than the power of coercion. The concept of power as it relates to regime theory takes a number of differing forms (Stoker 1995, pp. 64–6; DiGaetano 1997, pp. 846–7).

The context in which this theory has developed, however, is problematic when seeking to apply it more generally. The theory is sensitive to the institutional context in which it is applied; in the US, this may be oriented toward certain outcomes which, at first glance, are not replicated in the UK. At the heart of regime theory is the assertion that while constrained, governing coalitions carve out a capacity for effective action. Of course, it may be the case that private interests with greater access to resources have an advantage here, but Stone argues that 'systemic' advantage does not necessarily translate into effective regime formation (Stone 1989, p. xi). Indeed, the theory does not exclude the notion of the community as a partner in coalition building. Nevertheless, it is more usual for private sector interests to be players in city governance: 'land interests in coalition with growth-oriented politicians dominate the agenda of city politics' (Swanstrom 1988).

The involvement of communities within a governing coalition is not ruled out by traditional regime theory. There have been numerous

FIGURE 1 *Power and regime theory*

Systemic power	Certain interests will have inherent advantages due to their position in the 'socio-economic structure'.
Command or social control	The power to mobilize resources to gain domination over other interests.
Coalition or bargaining power	The power to bargain from a position of strength, seeking to match complementary goals and resources.
Pre-emptive power or the power of social production	Central to regime theory is the 'need for leadership and the capacity of certain interests in coalition to provide that leadership'. Power is reflected in the ability to assemble the capacity to achieve 'attractive' and 'non-routine' goals.

typologies produced to describe the sorts of regimes that prevail within cities and there is a community involvement theme to be found in many of these (see Stoker and Mossberger's (1994) *Symbolic Regime* and DiGaetano and Klemanski's (1993) *Social Reform* regimes for example). Stone's (1993) typology contains many of the elements present and reflected in other work on regime theory. Stone presents four regime types: *maintenance regimes*, interested in preserving the status quo; *development regimes*, concentrating on promoting strategies of growth; *middle class progressive regimes*, tailoring policy to favour certain groupings; and *lower class, opportunity expansion regimes*, that seek to provide opportunities to the disadvantaged.

Stone suggests that to provide opportunities for the disadvantaged requires both resources and mass mobilization. Indeed, the level of resources is likely to be so great as to require external funding: 'Given the needs they must meet, they may find that co-ordinating resource allocation amongst themselves is not enough; they may also feel compelled to make

concerted efforts to garner assistance from the state government or other extra-local sources' (Stone 1993, p. 22). Nevertheless, there are potential gains to be made from involvement: '[p]layers operating on different ideological and political agendas are drawn into regimes by ... prospects of small opportunities becoming available to realise at least some group aims' (Harding 1994, p. 361). This suggests a route into regime formation for community groups albeit with disparities of power and influence built into the process and structures. It is argued below that in the UK the system of urban funding facilitates this process further.

The challenge of building a governing coalition that has a community focus, therefore, must consider not only resources, but also the nature of community involvement. The proposition of this paper is that a community focus to regeneration goes beyond the accessibility of resources or the ability to ensure that 'lower class opportunities' are taken up by the 'lower classes' – as Stone (1993, p. 22) implies. A *community coalition* would be explicitly grass-roots generated, not a top-down imposition (albeit initiated and 'enabled' by top-down funding). Moreover, it would, in a normative sense, be based on the *involvement* of communities (however theoretical) in making strategic choices about regeneration within their localities. The argument is, therefore, that regime theory can only provide part of the context within which community involvement in regeneration takes place.

THE CONTEXT FOR COMMUNITY INVOLVEMENT II: PARTICIPATION

Community and participation are linked in such a way as to render ideas of community unsustainable without the processes of participation to reinforce and develop a collective sense of identity, interest and place.

An individual citizen has private interests which they may seek to advance in public arenas of participation. In advancing them, they will learn that to persuade they have to advance arguments that go beyond their private interests. A citizen is not alone in such an arena and has to take account of others' interests and to advance arguments that extend beyond the private towards a search for the public interest (Prior *et al.* 1995, p. 80).

The argument here, then, is that participation is good for individuals, and good for civic society, and for representative democracy. In opposition to the Shumpeterian view of participation as a hindrance to freely elected representatives (see Pateman 1970, pp. 3–5; Lowndes 1996), 'the more the public as citizens participate in discourse and deliberation the more informed will be the representative' (Prior *et al.* 1995, p. 78).

Classifying participation

The classic framework of participation produced by Arnstein in the 1960s still provides a 'helpful starting point' for the analysis of citizen partici-

pation in decision making (Burns *et al.* 1994, p. 158). Arnstein's Ladder describes a hierarchy of participation ranging from non-participation through degrees of tokenism to degrees of citizen power (the ability to shape one's community through participation as laid out by Nicholson and Schreiner (1973), lies very much towards the top of the ladder).

This analytical tool for assessing the level of citizen participation has been used and developed since Arnstein's original conceptualization. A recent critique has been developed by Burns *et al.* (1994, pp. 153–79). The authors identify a number of problems with the original model. First, the increments between the levels of participation are equidistant. This, they argue, is not likely to be realistic as progression up the ladder becomes increasingly harder – citizen control is more difficult to achieve than a degree of 'consultation'. Secondly, the authors identify a requirement to be more specific about the context within which participation is being considered (1994, p. 158). A number of complexities to the ladder are introduced that help to build a framework of analysis around four 'interlocking spheres of citizen power': *individual, neighbourhood, local government and national governance* (ibid, p. 158). Of these the *neighbourhood* and *local government* spheres are the focus of Burns *et al.* (1994), and are the most pertinent to the study of community involvement in regeneration. The interaction between these spheres of influence provide a useful device for conceptualizing community power

Himmelman (1996) considers the nature of participation in the specific context of collaborative arrangements. He classifies the majority of *collaboratives* as betterment processes with communities involved but not in control: 'Community involvement is *invited* into a process designed and controlled by larger institutions' (Himmelman 1996, p. 29 emphasis added). He argues that empowerment, defined as: 'the capacity to set priorities and control resources that are essential for increasing community self-determination' (ibid, p. 30), is found less frequently.

The point is that linking participation to community as an aid to understanding the latter is problematic as the different typologies of participation suggest – participation can mean very different things. Moreover, involving communities in strategic decision making – at the higher end of the ladder – may be subject to different motivations: to facilitate self-government or, alternatively, to neutralize dissent or mobilize support for policy (the extent to which the latter motivation is prevalent being explored in Hain 1980, p. 8). This distinction suggests the difference between bottom-up and top-down 'participation' should not be overlooked – there may be 'a gap between how social agencies see problems and their solutions and how residents of run down inner cities see them' (Knight and Hayes 1981, p. 94). As Broady and Hedley (1989) point out, community, participation and representation can be viewed with scepticism by elected members who fear a 'divide and rule' agenda.

These problems are obstacles to increased participation which require a

devolution of power from the centre if involvement is to 'overcome ... the unresponsiveness of elites' (Rose and Hanmer 1975, p. 34). Prior *et al.* (1995, p. 172) argue for a 'participative citizenship within a framework of representative democracy' and not a substitution of representative democracy by more citizen-led direct forms.

THE CONTEXT FOR COMMUNITY INVOLVEMENT III: PARTNERSHIP

There has been an acknowledgement within the UK of economic and social problems often associated with a particular spatial focus and centred on the decline of inner areas since the late 1970s. There has been a continuity of response over time in the use of the partnership mechanism for tackling the difficult issue – the 'non-routine goal' – of urban regeneration. However, the use of partnerships can be organized into three distinct phases of urban policy (Stewart 1994) categorized by a 'musical chairs' approach to selecting eligible partners.

Initially, the partnerships for tackling inner city decline were central-local government comprised. Problems of decline were 'perceived as problems to be solved by the public sector' (Coulson 1997, p. 33). The 1980s, by contrast witnessed the predominance of market solutions to urban regeneration and local authorities, far from offering solutions, were seen as part of the problem (Parkinson and Evans 1990, p. 65).

Throughout the 1980s, the market, especially the property market, was seen as the route to successful regeneration and partnerships were arranged between the private sector and an enterprise-promoting central government. The institutional environment for regeneration was fragmented and a range of initiatives introduced by which local powers were ceded to private sector-orientated actors – UDCs, enterprise zones, housing action trusts. The now famous and oft-quoted investigation by the Audit Commission which complained of a 'patchwork quilt of complexity and idiosyncrasy' (Audit Commission 1989), prompted a move to attempt a more co-ordinated and coherent approach characterized by the multi-sector partnership prevalent in the 1990s.

The resultant policy initiatives – City Challenge followed by the Single Regeneration Budget – mark a significant shift in the allocation of resources for regeneration. The City Challenge initiative introduced in 1991 is based on four key elements (Marsh and Murie 1997, p. 2). First, regeneration was to be undertaken through partnerships in which communities were involved. Second, resources were to be allocated through a competitive bidding process rather than on the basis of an objective analysis of need. Third, local authorities were restored as key strategic players. Finally, resources are contingent upon the attainment of output measures built into bids and assessed over the life of the funding period. The Single Regeneration Budget was established by the UK government in 1994. This drew together 20 funding programmes from five government departments into one inte-

FIGURE 2 *A typology of SRB partnerships*

Shell	Nominal involvement of partners. The leader is dominant and partners have little involvement at any stage of the process.
Consultative	Partnership remains strongly controlled by the leader, but partners are consulted to some extent and allowed to make changes at the margin.
Participative	Partners have increased and often equal access to the decision-making framework and their views frequently shape policy.
Autonomous	The partnership develops an independent identity in which partners are fully integrated. All partners have equal access and mechanisms exist to ensure genuine and sustained involvement.

grated budget and extended the principles of competitive bidding for urban funding through partnership established under City Challenge (Tilson *et al.* 1997, p. 1). The concept of the multi-sector partnership has thus been consolidated with the role and involvement of community partners brought to the fore (Marsh and Murie, 1997, pp. 2-3).

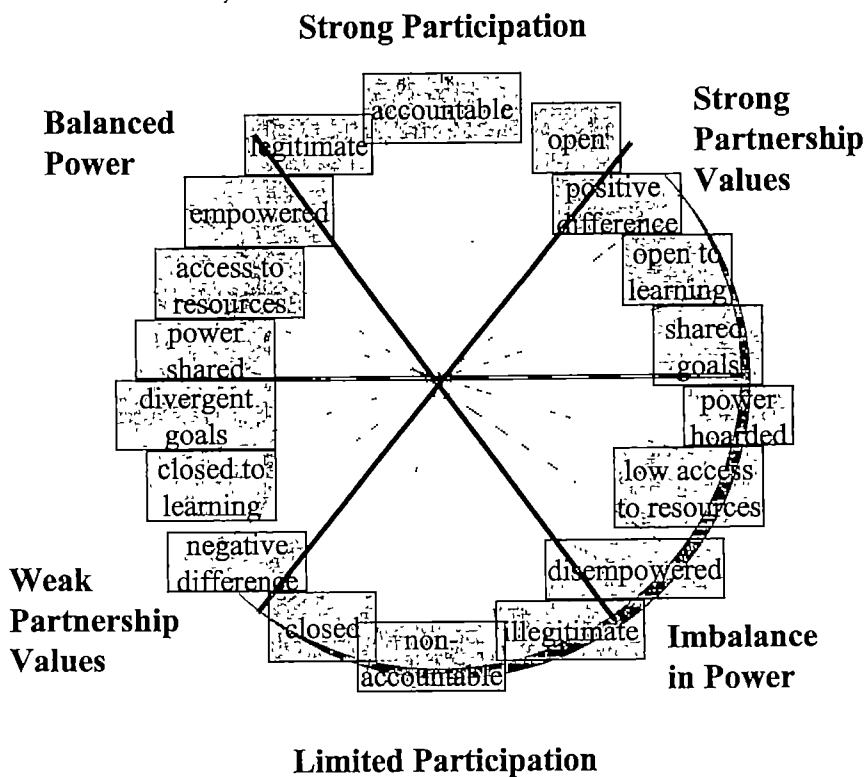
Hall *et al.* find very few examples of autonomous partnerships operating. Much more common are examples of partners being drawn into the process after the design of a proposal for funding has been established by the lead agency: 'setting the vision and strategic objectives before involving partners' (Hall *et al.* 1996, p. 69). Clearly this type of partnership augurs poorly for community partners and is essentially exclusivist in structure.

A rigorous analysis of the process of partnership working is needed if community partnerships are to achieve 'genuine partnership' status. And

it is genuine partnership working that is sought by community groups (see Lowndes *et al.* 1997). Hastings (1996, p. 261–2) notes the following from her work on community partnerships in Scotland: ‘Local representatives were keen that the community partner should enjoy an influential role. In order for this to be possible, they envisaged a more open, egalitarian set of interactions between partners at the policy making level.’

Regeneration partnerships, then, represent the collective attempt to add value to, or derive some mutual benefit from, activities that individual actors or sectors would be unable to attempt alone. Partnerships then, are clearly important in current urban policy terms. They are promoted as *the* solution to difficult problems and they have the *potential* to: enable local needs to be identified and addressed (Lowndes *et al.* 1997; Hastings and McArthur 1995); give local people a voice (Stewart and Taylor 1995); and empower local communities leading to greater social justice (Himmelman 1996).

FIGURE 3 *A wheel of involvement*



A FRAMEWORK FOR EVALUATION

The discussion so far has centred on the theory and context of the three key factors of power, partnership and participation that can help to shed some light on the effectiveness of the involvement of local communities in regeneration partnerships. Each of these key factors can break down into further categories that provide a point of entry into partnerships to measure how well they are functioning from a community perspective. These are discussed below and are outlined in figure 3. They provide a mechanism by which the 'wheel' can be operationalized and applied to real life regeneration processes in order to evaluate the effectiveness of community involvement.

The operation of the wheel in theory is simple. For example, evidence of a balanced power structure, strong participation and positive partnership values would suggest effective community involvement in regeneration partnerships. Conversely, evidence of imbalance in the power structure, weak participation and negative partnership values would suggest ineffective community involvement in regeneration partnerships. The next section will examine how each of the key principles of power, participation and partnership can be broken down into operational components.

OPERATIONALIZING COMMUNITY INVOLVEMENT: POWER

The move to using multi-sector partnerships as the vehicle for urban regeneration raises the issue of the degree to which different partners are endowed with *systemic* power. It will inevitably be the case that large, well-funded partners are in a more advantageous position and as Robinson and Shaw (1991, p. 63) state: '... community involvement is all about power'.

The next section considers a means of operationalizing power within a partnership from a community perspective. It takes the relative distribution of power, the access to resources and the potential for empowerment in decision making as criteria against which to evaluate involvement.

Distribution of power

Hutchinson and Foley (1994, p. 6) talk of the importance of the relative distribution of power within a partnership: 'Different stakeholders may have different priorities, and the identification not only of who the stakeholders are, but their relative power and importance within the partnership can be crucial.' It is perhaps inevitable that power in partnerships will be asymmetrical where community partners are involved. Nevertheless 'less powerful players still have a creative role to play' (Hastings 1996, p. 263). One manifestation of the unequal power distribution between partners is reflected in research carried out by Hastings (1996) with regard to decision-making processes. Her research reveals a recognition on the part of community groups that they were excluded from the behind-the-scenes negotiations and, that this was seen as legitimate by the officer networks whose covert activities were responsible for the informal 'network culture' which

excluded community groups. This rather limited interpretation of community involvement is alluded to in Marsh and Beazley (1996, p. 4). They ask two questions related to inequalities in power. First, 'are those who are accustomed to being in control willing to cede power to others? Second, 'to what extent are regeneration agencies willing to listen to the wishes of the community and allow them to influence the nature of regeneration in a locality?' The authors are concerned that community involvement strategies can result in the 'legitimation of agency decisions rather than genuine involvement'.

Access to resources

One model of partnership outlined by Mackintosh (1992) is that of 'budget enlargement'. This model emphasizes the pursuit of additional funding from the differing perspectives of partners. Financial constraints on the part of local authority partners and subsidy or risk reduction motivations from private sector partners come together in order to see partnerships as a way of collectively increasing budgets. It has already been shown that resources are required to enable community groups to play an active part in a regime. However, '[a] model of partnership which focuses on extracting added value in strictly financial terms is likely to play down and devalue the role which can be played by partners not in control of large budgets' (Hastings 1996, p. 262). If the pursuit of resources places community groups at a disadvantage, one measure of effective community involvement might take into account the direct access to resources that those groups command.

The involvement in partnership arrangements has a cost implication (Lowndes *et al.* 1997, p. 339). Groups may lack the capacity in administrative terms to engage effectively in the work of the partnership without a detrimental effect on the groups' core work. Conversely, if a decision not to get involved results in the forgoing of significant investment in the groups' activities, that cost needs to be taken into account. There is a delicate judgement to be made, therefore, as to whether to enter the competition for regeneration monies: 'Engaging in networks and partnerships can be costly to undertake and also costly if ignored' (Lowndes *et al.* 1997, p. 340).

Empowerment

McArthur (1995) cites the capacity to participate as an important element in empowering the community. Pacione (1992, p. 417) argues that this requires a devolution of power (within partnerships or through the mechanism of partnership) in order to enfranchise local communities.

One method that has been suggested as a measure of community empowerment is to delineate community objectives from partnership objectives and monitor the impact of partnerships on community objectives (McArthur 1995; Hastings and McArthur 1995). This method seeks to address the question of whether support for a local community is to empower that community, or to ease the implementation of other partners'

agendas. McArthur's research into community partnerships in Scotland suggests that in some cases community representatives see partnerships in a positive light, as a 'way of giving local people a say over what happens in the[ir] area'. Equally, McArthur (1995) considers that there is some evidence that community involvement has helped shape regeneration strategies (Marsh and Beazley 1996).

OPERATIONALIZING COMMUNITY INVOLVEMENT: PARTICIPATION

In theory, partnerships afford the opportunity for community groups to have an influence on decisions that affect their every day lives. As Marsh and Beazley (1996) argue, it is open to question whether this extension of participatory democracy is achieved. Some researchers have suggested alternative motivations for partnership working: the transformation of local government (Hastings 1996) and the implementation of central objectives (Marsh and Beazley 1996) are just two of the more critical interpretations. Hastings rather depressingly concludes that the Scottish experience is one where partners try to educate other partners 'of their own virtues, which undermines the apparently democratic nature of the structure' (1996, p. 265). I would argue nevertheless, that the literature shows that the *potential* exists for extending democracy. The section will consider a hierarchy of factors in the participation element of the model': the *representativeness of partners* affording *accountability to stakeholders* providing the basis for a *pluralistic and participatory partnership structure*.

Representative legitimacy

How the partnership is set up and who is involved and for what reason are crucial to representation and the legitimacy of representatives. Who is selected to be involved as a partner is particularly problematic for community representatives:

Assumptions made by the various partners can lead to the inclusion of representatives of selected organisations and interest groups which can produce partnerships whose aim is to represent a local area and yet they have an inherent imbalance because of inadequate conceptualisation about which community they aim to represent within that area and how ... *key players have to be legitimate and be seen to be so* (Hutchinson and Foley 1994, p. 4 emphasis added).

Choosing partners with legitimate interests is essential for local communities if the partnership is to retain their trust and confidence. There are significant benefits to be gained by choosing the 'right' partners. This touches on issues of transformation discussed above; however, community representatives can be faced with ill-fitting cultures between different partners. Community representatives may experience tensions between a culture of consultation on the one hand, and a culture of confidentiality from other partners: 'one-of-us'-'one-of-them' problems.

Enhancing the legitimacy of community representatives might be achieved through the delivery of community objectives. As Hutchinson and Foley (1994, p. 8) comment, individual agendas must have the prospect of being met. 'However, they may not be mutually supportive, and projects supported by one partner can work to the detriment of those supported by another'. If this is the case, while the democratic legitimacy of community representatives who win concessions may be strengthened, there is little basis for synergy here.

Accountability to stakeholders

The identification of individuals and groups with a stake in the process of regeneration is a key element in generating collaborative advantage from the process of partnership (Huxham, 1996). However: 'Community representatives are not empowered to make independent decisions ... but can only act with the authority of the community organisation they represent' (McArthur 1995, p. 68). So the enclosed nature of a partnership presents a problem of accountability for communities where a culture of consultation and openness may be present.

Openness

Hutchinson and Foley (1994) (after Jacobs 1992), cite two forms of structure that partnerships may adopt in order to assess the impact on community involvement: exclusivist and pluralist. Involvement in exclusivist structures will be restricted to a local élite, whereas the pluralistic will be open to 'every sectoral and political interest'. The range of involvement that is manifest within just one initiative, that of SRB partnerships (Hall *et al.* 1996), supports the view that structure is an important factor in a consideration of community involvement.

The difficulties associated in attracting disadvantaged groups – tackling social exclusion – are often raised when community partnership structures are conceptualized. It is often the case that other considerations of openness – the use of language, the physical access afforded by particular locations and the timings of meetings – are designed to accommodate the statutory sector and not those groups whose involvement is sought.

OPERATIONALIZING COMMUNITY INVOLVEMENT: THE 'VALUES' OF PARTNERSHIP

The factors of trust, of sharing, of the willingness to learn – the 'values' of partnership – go beyond mere goal alignment. Community goals are inevitably different to the goals of other partners if goals are defined narrowly. Conversely, if goals are defined too broadly – regeneration for example – they cease to have much meaning. But partners can have different goals, we would argue, whilst appreciating and sharing values of mutual respect. This section explores the criteria of building on diversity, of 'learning' and of mutual goal-setting.

Positively different

The synergy model is often presented as a rationale for partnership working. Mackintosh (1992, p. 213) describes synergy occurring when '... two distinct economic actors, each with identifiable pools of assets and capacities, and with clear and distinct (but not wholly mutually exclusive) objectives' come together and achieve 'additional social benefit'.

Hastings (1996) extends the Mackintosh model of adding value by pooling resources, and distinguishes between two forms of synergy: resource synergy and policy synergy. Resource synergy corresponds to the added value model, while policy synergy concerns the involvement of partners in the policy process, with synergies derived from inherent differences, or, 'innovation due to complementary perspectives'. Hastings found the ability to generate 'new policies or programmes tailored to particular needs' (p. 261) to be more attractive than simple resource synergy amongst local residents. Community priorities, she argues, were shown to be centred around the: '... capacity of an initiative to generate appropriate responses to local need and to find solutions for an area's problems ...' (ibid, p. 261).

Clearly involvement is enhanced under conditions of policy synergy which is presented as inclusive and democratic, as opposed to simple resource synergy which 'suggests an exclusionary politics of partnership'. And it is the latter model which seems to characterize much of the partnership arrangements that have emerged so far as a result of government challenge funding under the SRB initiative for example (see Mawson *et al.* 1995; Hall *et al.* 1996).

Learning to learn

Partnership, Mackintosh (1992, p. 216) notes, becomes a 'mutual struggle for transformation'. Clearly, this model of partnership conflicts with the idea of mutual goal alignment. Here the goals and objectives are being fought over with each partner trying to convert the others to their way of thinking. Transformation is then 'a process whereby partners seek to change or challenge the aims and operating cultures of other partners' (Hastings 1996, p. 262).

Hastings develops an alternative transformation, mutual transformation, characterized by a 'desire to learn as well as to teach'. In this type of partnership, the differences between the partners are reduced by a mutual understanding or empathy, which addresses (to some extent) the inevitability of unequal power distributions amongst partners. Hastings does not suggest that mutual transformation is easy to achieve. On the contrary, she cites one-sided transformation as an objective anticipated by government (p. 264). And evidence from the community partnerships shows that: '... whilst all private sector representatives volunteered the view that they found contact with representatives of the community partner challenging and on occasion edifying, none suggested that they felt the private sector

should adjust its practices as a result of working with the statutory agencies' (Hastings 1996, p. 264)

Other experience, however, points to a degree of mutual transformation operating and contributing to the strength of the partnership. Equally, there is evidence that communities have gained access to key decision makers in the form of senior officers from various agencies which provides a direct route to spheres of influence not previously available.

There will always be differences between partners regardless of the degree of mutual transformation. It seems legitimate, therefore, to include both factors in the model as supportive of greater community involvement.

Goal alignment

There is, notes McArthur (1995, p. 65) 'a lack of consensus about the actual purpose of the community partnership exercise'. While work by Hastings (1996, p. 261) has revealed that 'resident participants have a discrete set of priorities or interests when compared to other partners' and consequently could be pursuing a different agenda to that of the other partners. There is a problem here. It might be assumed that a partnership will be most effective where all partners are working towards a common set of objectives, or with a shared 'vision' of what the partnership is for, what it is to set out to do. If individual agendas are being pursued, if the partnership is pulling in different directions, this must cast some doubt on the ability of partnerships to deliver effective community involvement. Incongruent goals will have the consequence of highlighting disparities in power leading to the marginalization of those groups with low systemic and command power and therefore those in a weak bargaining position.

THE WHEEL OF INVOLVEMENT IN ACTION

The test is now to see if the model which has emerged out of the theoretical discussion and the identification of operationalized components actually works out in practice. This will be the subject of the next section of the paper. Two regeneration projects were chosen as case studies.

The two projects

One of the first applications of the model was in relation to two regeneration projects (a City Challenge initiative and an early SRB initiative) in a Midlands-based local authority. The borough is now ranked as one of most deprived districts in England using the index of local conditions. Many of the problems derive from industrial decline leaving a vulnerable local economic base, poor social infrastructure and environment.

Various partnerships involving the council, other public agencies, local businesses, voluntary organizations and community groups have been set up to tackle some of the problems facing the area. This particular authority has also been subject to many national regeneration initiatives such as the urban development corporations, City Challenge and the Single Regeneration Budget Challenge Fund.

The key partnership in the borough is a strategic, authority-wide regeneration partnership that manages a multitude of regeneration projects and continually bids for new resources and funding packages as they come on stream. The partnership is broadly based and draws on the knowledge and experience of all sectors in the borough. The key question of course is how effective is the community involvement in the process and what impact does the community have on the decisions and future of the regeneration in the area.

Methodology

The wheel is used to highlight the operational effectiveness of the partnership with regard to the criteria described above. In order to derive a score for each component of the model, an attitude survey is conducted amongst members of the partnership using a series of matched pairs of pre-coded statements (Smith 1999). The partners are asked to respond to each statement on an agree/disagree scale. The statements are coded from +2 to -2, with +2 reflecting responses to factors that promote effective involvement. These results are aggregated and an average response derived for the partnership at that moment in time. In such a way the wheel can be used as a means of measuring community involvement. It is a device for seeking to quantify a difficult process.

The wheel was used to examine the effectiveness of community involvement in the two case study areas. A wheel survey questionnaire was sent to all those individuals involved in the local partnerships – some 70 members across the partnership structure in each case. The response rate was in the region of 40 per cent for both case studies representing a range of different stakeholder views. (Individuals within stakeholder groups often expressed divergent views which is perhaps unsurprising given the involvement of say, a chief officer and a community development worker from within the same group. It was found to be most useful to aggregate all the responses to achieve a 'score' for the partnership as a whole.) The responses to the questionnaires were then tabulated and entered on to the wheel (see figures 4 and 5).

The findings were used in conjunction with other survey methods – interview material, observations – in order to get an overall impression of the partnership process. The wheel survey described here is clearly inadequate on its own, and seeks to provide indicative not definitive data.

SRB partnership

This area has been dominated by industry since the early nineteenth century with a particular focus on metal industries. During the 1950s and 1960s the area began to experience high levels of Asian immigration, particularly Bengalis and by the mid-1980s had become the main centre of the Bengali community. The area is a mixed residential/industrial area with many low-

income families living in poor quality housing. Generally, the environment is poor and there is little in the way of community facilities.

The area has an active and committed community who is keen to work in partnership with others to regenerate the area. A residents group campaigned in the late 1980s to save the area from clearance in favour of a more sensitive renewal policy which led to the development of a housing development trust. The starting point for current partnership working was in a 'planning for real' exercise on the unitary development plan in 1992 which raised concerns about the lack of council action that was directed towards the area. The partnership structure was established as a consequence. The group is a partnership between the council, the housing development trust, the health authority, housing associations, the training and enterprise council and the local community.

The group has three basic objectives:

- (1) to promote partnership working in the area.
- (2) to prepare and monitor a regeneration strategy.
- (3) to assist in the implementation and monitoring of regeneration projects.

To achieve these objectives the group established a number of sub-groups to pursue policy at a more detailed level. These included:

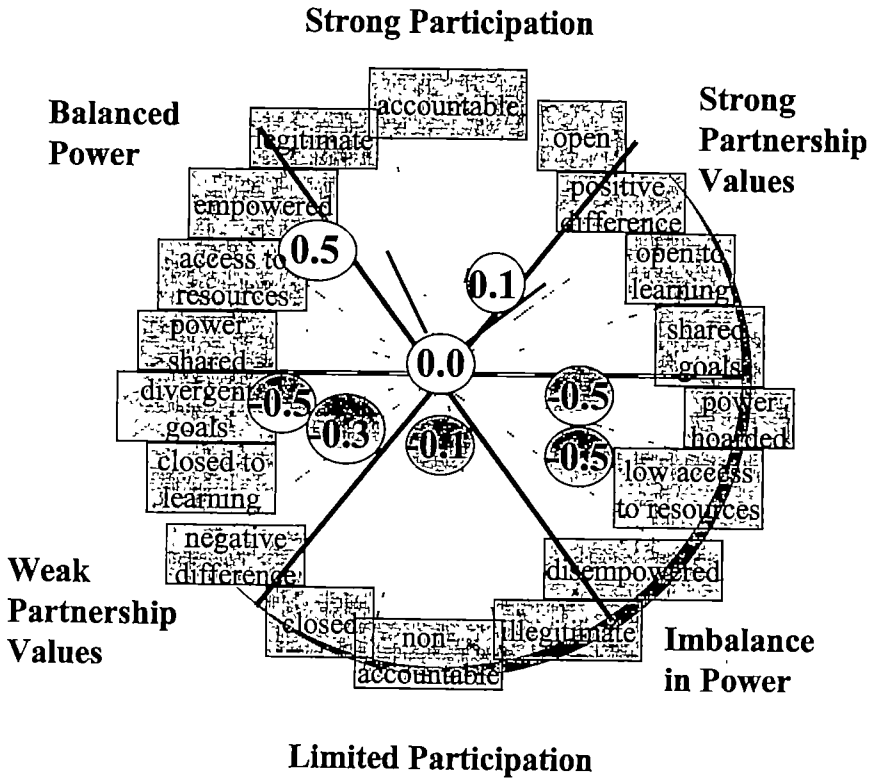
- community services
- housing
- employment and training
- business and industry

Community involvement is key. It is recognized that improvements can continually be made to representation of groups (particularly the business community). The community forum organized by the housing development trust is an important group and is run independently from the council which provides a further opportunity for community debate.

The findings from the wheel indicate a mixture of both positive and negative scores. Looking at the first component of *power* the positive score (0.5) that is evident for the *empowered* category suggests that the work of the group has contributed in part towards the empowerment of community groups in the process. In interviews with group members it was acknowledged that there had been a measurable change in the ability of community groups to get involved in the regeneration process.

In terms of *access to resources* the negative score (-0.5) represents a less positive perception that resources in the area are unevenly distributed. This is related to the perception of the unequal distribution of power within the group and the perceived dominance of the major players in the process such as the local authority. It is the major players who at the end of the day ultimately control the purse strings. Clearly, the internal power structure of the group is affected by the relative systemic power of the participants, that

FIGURE 4 Case 1: SRB partnership



is, their respective position in the socio-economic structure of the locality and the wider borough. This issue is critical when it comes to the struggle for resources since those with greater power will have more control over the allocation of both money and authority.

The negative *power shared* score (–0.5) underlines the perceived power differentials within the partnership. However, there appears to be some perceived evidence of some movement that challenges this perception. The positive empowerment score indicates that there is some degree of power redistribution going on that is benefiting the local community. It is important to stress again that caution is required with such self-assessment results and it is important to corroborate the wheel findings with other sources of evidence.

Turning briefly to *participation* we can see that the overall findings are clustered around zero which reflects an aggregate position of 'no opinion'. The group is perceived to be *legitimate* (0.0), *accountable* (–0.1) and *open* (0.1). These responses do however disguise some concerns about the make-up of the partnership. It was felt that whilst the membership included the key actors in the community, its base was not broad enough to be fully inclus-

ive. There was scope to expand the membership beyond the committed few well-known individuals. This is not uncommon, yet a structure that relies on only having links to a few key individuals is going to find difficulty in building capacity within the wider community.

The last component of *partnership values* has largely negative results. There is a neutral response (0.0) to whether partners view different characteristics of participants in a positive light. Views were expressed however, that suggest the community sector is not fully drawn on in the decision-making process. In interview data, reference was made to the fact that some partners have 'hidden agendas' and involve covert and 'hidden partnerships' that impact negatively on the efficacy of the community to influence the outcomes of partnership working. There was also the perception that the partnership process was heavily dominated by the professionals who follow a particular agenda that might not be reflective of the partnership as a whole.

In terms of *shared goals* and *open to learning* the group scored negatively (-0.5 and -0.3 respectively). There was a widespread view that the different groups within the partnership pursued their own goals rather than group goals. It was felt that the actions of the partners was more governed by agendas outside of the partnership rather than common goals. Moreover, the perceptions of 'hidden partnerships' suggests that there is little willingness to share goals yet there was some evidence of a willingness to learn from other partners. Clearly, partnership working is a learning experience and all partners need to learn to work with each other in new ways. The capacity of all the partners to work together needs to be enhanced and new ways of working need to be explored. This takes time.

City Challenge partnership

The City Challenge programme was a successful round II bid and begun on 1 April 1993. It was wound up on 31 March 1998. The area was chosen because it exhibits high levels of deprivation. In common with other City Challenge programmes, the area was allocated £37.5 million of public sector resources to use to lever in other public sector and private sector funds.

At a national level, City Challenge was seen as a means of involving communities in regeneration programmes and making those programmes accountable to the communities they sought to benefit. The property-led initiatives of the 1980s were rightly criticized for their physical emphasis and for excluding input from local communities. City Challenge was seen as a way of redressing the balance and to increase input from the local community and indeed local businesses.

The administrative arrangements involved the setting up of the Challenge partnership that would be run by a board of directors. The board was set up with 17 members:

- private sector 4
- community 4

- public sector agencies 4
- local authority 4
- City Challenge chief executive 1

The programme was to be implemented by groups organized around strategic objectives identified in the action plan. Each group had a group leader, some of whom were board members, and the membership of the groups was determined by the implementation needs of the programme.

A co-ordinating group of implementation group leaders was set up under the chair of the City Challenge chief executive. Membership was restricted to maximum of eight. Its role was to:

- receive progress reports;
- approve projects up to £500,000;
- oversee linkage between strategic objectives;
- oversee communication between implementation groups and the community;
- consider any variation needed between strategic objectives.

Community fora were set up to represent the communities within the City Challenge area. Each community forum had a chair and a representative on each of the implementation groups. The role of each community fora was to:

- monitor programme implementation on a local area basis;
- monitor potential impact of other activity on the area;
- provide representatives to other decision-making parts of the structure;
- receive and comment on board papers, the action plan, annual implementation plans, etc.;
- receive and comment on project applications.

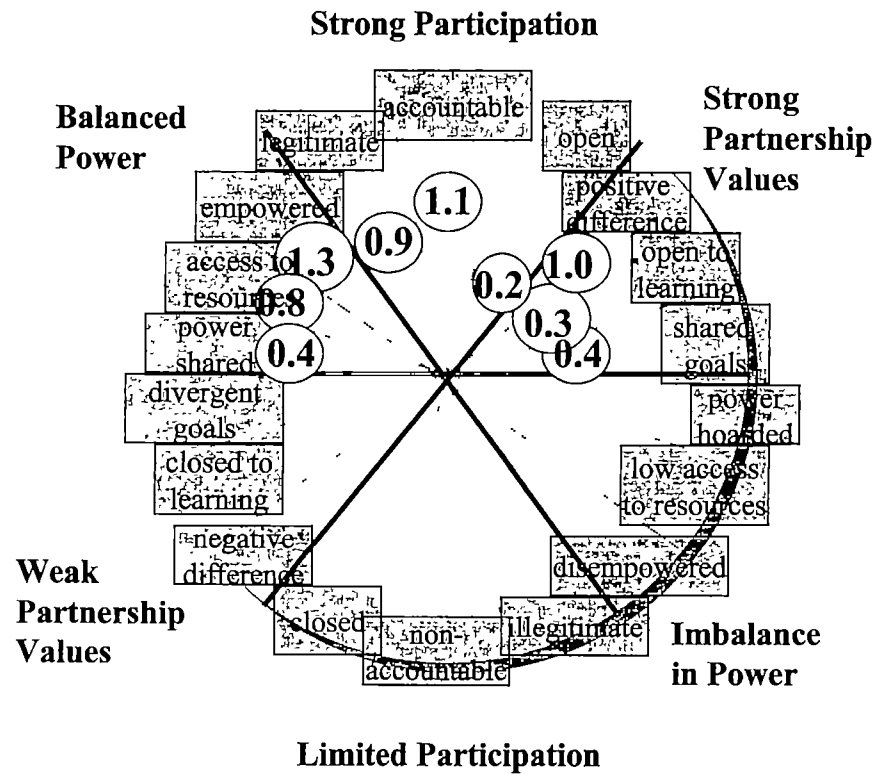
There were a number of local interest groups already active in the area. The area had also been the location of a council-sponsored community development project which had placed three community development staff in the area prior to the arrival of City Challenge which had been successful in generating community activity. The well-established action group was given the responsibility to manage the block community funds which issued grants to local groups. It reconstituted itself to take on this role to include representatives from each of the community fora.

The partnership established a youth forum early on as part of the programme to address the concern that young people were generally underrepresented in the existing local organizations. Originally 19 young people were elected to the forum by local youth clubs, schools and other organizations that young people attended. It made an important contribution to the establishment of many youth projects, but also organized events such as discos and an annual festival. The forum is represented on the partnership board.

There was then a fairly sophisticated community involvement structure set up around the Challenge programme. The key issue is how well the structure worked and whether it did in fact facilitate effective community involvement.

The findings indicate that there were generally positive responses to the different questions and elements within the wheel. With regard to *power* the *empowerment* score (1.3) was relatively high indicating the feeling that the position of the community had been enhanced as a result of participation in the partnership. Clearly, the Challenge initiative was responsible for developing community development activity already initiated in the area and establishing structures within the community to enable them to get involved, for example, via the community fora and the youth forum. *Access to resources* scored reasonably well (0.8) which is likely to reflect the additional resources City Challenge brought into the area but is also a positive response to the establishment of the block community funds. *Power shared* scored the lowest in the power section (0.4) which would (not surprisingly) indicate that the major players in the regeneration process still hang on to the power within the relationship.

FIGURE 5 Case 2: Challenge partnership



Turning to *participation*, this part of the wheel scores well. Participation in the process is seen positively in terms of being *legitimate*, *open* and *accountable*. Here the scores ranged from 0.9 to 1.1. This reflects well on the establishment of the community infrastructure around the fora and groups such as the youth forum which required the identification and election of representatives. Certainly members of the community served on the board and on the various groups operating within the partnership but it was acknowledged that the process of involving people was not easy. The issue of representativeness is always problematic – are the community representatives fully representative of those whom they are supposed to represent? A further issue was that generally the local people were not natural joiners of groups or institutions and were a little reticent about getting fully involved. The consequence was that the representatives in the process tended to be the same few faces and that the numbers of local people actively engaged in the partnership was quite small.

In terms of *partnership* the scores were still positive. The highest score for *positive difference* shows an understanding between partners developed over the lifetime of the partnership. The scores were less positive on the issues of *open to learning* (0.3) and *shared goals* (0.4) and this may reflect some concern about the nature of partnership working around the City Challenge initiative. Some of the partners were clearly in a greater position to influence the outcomes of partnership working than others. The local authority and other public agencies are generally much more powerful than the community as is the private sector. Clearly, partnership working does require a change in attitudes and behaviour of the major players and this is taking time to happen. The low score for *open to learning* is perhaps indicative of this fact. There is little question that the partnership working was better at the end of the initiative than at the start, but the wheel would suggest that there is room for further improvement.

A USEFUL TOOL?

It is possible to conclude from the application of the wheel that it has provided a useful means of comparing the nature of partnership working in the regeneration process within this local authority. The findings from the wheel analysis were largely supported and corroborated by other survey methods employed as part of a wider study – semi-structured interviews, observations and so on. The wheel analysis has proved a useful additional tool to help evaluate the effectiveness of community involvement in the regeneration process. It provides researchers with a means to highlight differences between partnerships, of identifying gaps and weaknesses in partnership arrangements and in providing clues as to where to direct further research. By itself the wheel is limited in its ability to identify definitive responses, and there are problems associated with the averaging of results – does a neutral result reflect a common view or a contested view? These are issues of refinement, but as part of a wider toolbox of research methods

the wheel can be a powerful aid to the understanding of the perceptions of partnership working and seeking to provide a measure of community involvement. This extra means of triangulating research data has the additional benefit of attempting to quantify essentially qualitative material. It places some 'hard' numbers on to 'soft' data in an arena that requires a creative approach to constructing research methodologies.

CONCLUSION

This paper has argued that community involvement in regeneration partnerships can be conceptualized by considering power, participation and partnership. It has built on elements of urban regime theory by exploring the level and quality of community involvement and the operation of partnerships.

A framework has been developed that will be of practical assistance in the evaluation of community involvement in partnerships. That framework provides an analytical tool that will begin to address questions surrounding the experience of communities in the process of regeneration and the mechanisms used to effect urban renewal. The governance through partnership approach employed in such initiatives as City Challenge and the Single Regeneration Budget seeks to deliver effective policy outcomes by strategies of involvement (Department of the Environment 1995, p. 21). If partnership is to remain the primary vehicle for regeneration (as seems likely), partners need to be aware of the issues with which they will be confronted and forearmed with tools and techniques in order to measure progress towards goals. This paper has set out to assist in that objective by establishing criteria by which the promotion or demotion of effective community involvement in the urban regeneration process may be evaluated.

Multi-sector partnerships afford the opportunity for community involvement in strategic local decision making. This paper has argued that regime theory alone provides an insufficient explanation of the quality and level of that involvement. It may be possible to identify a progressive regime or coalition (DiGaetano 1997), but is this indicative of community involvement, or top-down, community-focused social production? We have suggested that a consideration of participation and partnerships is important in constructing a framework for evaluation. The resultant model based around power, participation and partnership may be used to provide a 'measure' of community involvement. If the pursuit of urban renewal through partnership cannot adequately demonstrate the reality of involvement in addition to the rhetoric, the sustainability of such approaches must be questioned. This paper places an emphasis on an evaluation of community involvement and provides a means of carrying out such evaluation in practice.

REFERENCES

- Arnstein, S.R. 1969. 'A ladder of citizen participation', *Journal of the American Institute of Planners* 35, 216-14.
- Audit Commission 1989 *Urban regeneration and economic development: the local government dimension* London: HMSO
- Beresford, P. and S. Croft 1993. *Citizen involvement: a practical guide for change* Macmillan: London
- Broady, M. and R. Hedley 1989. *Working partnerships. community development in local authorities* London. Bedford Square/National Coalition for Neighbourhoods
- Burns, D. et al 1994. *The politics of decentralisation: revitalising local democracy*, London. Macmillan
- Butcher, H. et al. (eds.) 1993. *Community and public policy* Pluto: London.
- Coulson, A. 1997. 'Business partnerships and regional government' *Policy and Politics* 25, 1, 31-38.
- Department of the Environment 1995 *Involving communities in urban and rural regeneration. a guide for practitioners*. London: DoE
- DiGaetano, A. 1997. *Urban governing alignments and realignments in comparative perspective: development politics in Boston, Massachusetts, and Bristol, England, 1980-1996*, *Urban Affairs Quarterly* 32, 6 (July), 844-70.
- DiGaetano, A. and J.S. Klemanski 1993. *Urban Regime Capacity: A Comparison of Birmingham, England and Detroit, Michigan*, *Journal of Urban Affairs* 15, 4, 367-84.
- Elkin, S.L. 1987. *City and regime in the American republic*. Chicago. University of Chicago Press
- Gray, B. 1996 'Cross-sectoral partners: collaborative alliances amongst business, government and communities' in C. Huxham (ed.), *Creating collaborative advantage* London: Sage.
- Hain, P. 1980 *Neighbourhood participation* London: Temple Smith
- Hall, S. et al 1996. *The Single Regeneration Budget. a review of Challenge Fund round II* Birmingham: CURS, University of Birmingham
- Harding, A. 1994 'Urban regimes and growth machines: towards a cross-national research agenda', *Urban Affairs Quarterly* 29, 3, 356-82.
- Hastings, A. 1996 'Unravelling the process of 'partnership' in urban regeneration policy', *Urban Studies* 33, 2, 253-68
- Hastings, A. and A. McArthur. 1995. A comparative assessment of government approaches to partnership with the local community in R. Hambleton and H. Thomas (eds.), *Urban policy evaluation, challenges and change* London: Paul Chapman
- Hills, D.M. 1994 *Cities and citizens urban policy in the 1990s* London: Harvester Wheatsheaf
- Himmelman, A.T. 1996. 'On the theory and practice of transformational collaboration: from social service to social justice' in C. Huxham (ed.), *Creating collaborative advantage*. London: Sage.
- Hudson, R. 1987. 'Collaboration in social welfare. a framework for analysis', in *Policy and Politics* 15, 3, 175-82
- Hutchinson, J. and P. Foley. 1994 'Partnership in local economic development: the Management issues' Paper presented to Contract State The Future of Public Management, the Annual Conference of the Employment Unit of Cardiff Business School, Sept.
- Huxham, C. (ed.) 1996 *Creating collaborative advantage*. London: Sage
- Jacobs, B.D. 1992. *Fractured cities: capitalism, community and empowerment in Britain and America* London: Routledge
- Knight, B. and R. Hayes. 1981. *Self help in the inner city* London: London Voluntary Services Council
- Lowndes, V. 1996 'Citizenship and urban politics' in D. Judge et al. (eds.), *Theories of urban politics*. London: Sage
- Lowndes, V. et al. 1997. 'Networks, partnerships and urban regeneration', *Local Economy* 11, 4 (Feb.), 333-42
- Mackintosh, M. 1992. 'Partnership issues of policy and negotiation', *Local Economy* 7, 3 (Nov.), 210-24.
- Marsh, A. and M. Beazley. 1996. 'Urban regeneration and the community' Paper presented to the School of Public Policy Conference on the Changing Nature of Public Management, University of Birmingham 24-25 Jan
- Marsh, A. and A. Murie. 1997. Urban policy in perspective: discourses of (dis)empowerment. Paper presented to the British Sociological Association Annual Conference, Power/Resistance, University of York, 7-10 April.
- Mawson, J. et al. 1995. *The Single Regeneration Budget the stocktake* Birmingham: CURS, University of Birmingham

- McArthur, A. 1995. 'The active involvement of local residents in strategic community partnerships', *Policy and Politics* 23, 1, 61–71
- Nevin, B. and P. Shiner. 1995. 'Community regeneration and empowerment: a new approach to partnership', *Local Economy* 9, 4 (Feb.), 308–22
- Nicholson, S. and B.K. Schreiner. 1973. *Community participation in city decision making*. Milton Keynes: Open University Press.
- Pacione, M. 1992. 'Citizenship, partnership and the popular restructuring of UK urban space', *Urban Geography* 13, 5, 405–21
- Parkinson, M. and R. Evans. 1990. 'Urban development corporations' in M. Campbell (ed.), *Local economic policy*. London: Cassell
- Parry, G. et al. (eds). 1992. *Political participation and democracy in Britain*. Cambridge: CUP
- Pateman, C. 1970. *Participation and democratic theory*. Cambridge: CUP
- Prior, D. et al. 1995. *Citizenship, rights, community and participation*. London: Pitman
- Robinson, F. and K. Shaw. 1991. 'Urban regeneration and community involvement', *Local Economy* 6, 1, 61–73
- Rose, H. and J. Hanmer. 1975. 'Community participation and social change' in D. Jones and M. Mayo (eds.), *Community works* 2. London: Routledge.
- Smith, M. 1999. *Evaluating community involvement: tools and techniques for multi-sector partnerships*. School of Public Policy Occasional Paper 24. Birmingham: University of Birmingham
- Stewart, M. 1994. 'Between Whitehall and town hall: the realignment of urban regeneration policy in England', *Policy and Politics* 22, 2, 133–45.
- Stewart, M. and M. Taylor. 1995. *Empowerment and estate regeneration: a critical review*. Bristol: Policy Press
- Stoker, G. 1995. 'Regime theory and urban politics', in D. Judge, et al. (eds), *Theories of urban politics*. London: Sage
- Stoker, G. and K. Mossberger. 1994. 'Urban regime theory in comparative perspective', in *Environment and Planning C: Government and Policy* 12, 195–212
- Stone, C.N. 1989. *Regime politics: governing Atlanta 1946–88*. Kansas: University Press of Kansas
- . 1993. 'Urban regimes and the capacity to govern: a political economy approach', *Journal of Urban Affairs* 15, 1, 1–28
- Stone, C.N. and H.T. Sanders. (eds) 1987. *The politics of urban development*. Kansas: The University Press of Kansas
- Swanstrom, T. 1988. 'Semi-sovereign cities: the politics of urban development', *Polity* 21, 1, 83–110.
- Tilson, B. et al. 1997. 'Partnerships for regeneration: the Single Regeneration Budget Challenge Fund round one', *Local Government Studies* 23, 1, 1–15

Date received 13 December 1997. Date accepted 20 August 1999.

EUROPEAN FORUM



TOP CIVIL SERVANTS UNDER CONTRACT

PER LÆGREID

This article focuses on the introduction of the new top civil servant contract system in New Zealand and Norway. Even though both countries introduced contractual arrangements at the same time, the content of the reforms and their scope, scale and intensity are very different. The New Zealand reform was more radical and internally consistent. In contrast to an aggressive and thorough implementation in New Zealand, the contract system was implemented more cautiously and reluctantly in Norway. The effects of the reform are ambiguous and uncertain in both countries. A transformative perspective focusing on the interconnection between international administrative doctrines, national political-administrative culture, and polity feature is used to understand why contracts reforms have different contents, effects and implications.

INTRODUCTION

Over the past fifteen years increased interest in managerial thinking and the market mentality has changed personnel policy in the public sector. Wage and employment policy has moved into the domain of general administrative policy and become an active tool in reconstructing the state. This paper focuses on how this strategy has been adopted to change the position and working practice of top civil servants. Traditionally, public administration has been based on two main doctrines aimed at ensuring competent, effective and equitable government (Dunleavy and Hood 1994). The first doctrine emphasizes the public sector as a distinctive domain and makes a clear division between it and the private sector. The second doc-

Per Læg Reid is Professor in the Department of Administration and Organization Theory at Bergen University, and Senior Researcher at the Norwegian Research Centre in Organization and Management (LOS-centre)

trine implies that a number of general procedural regulations should restrict the discretionary power of leading civil servants. Today these two doctrines are being challenged by New Public Management (NPM) which envisages a public sector organized more along the lines of the private sector, and a civil service whose leaders have greater flexibility and more opportunity to exercise discretion. The classical role of the civil servant as a Weberian bureaucrat has been challenged by a new role as managing director. In this paper I will take a closer look at these changes in administrative doctrines by focusing on one particular administrative reform: the introduction of contract systems for top civil servants in New Zealand in 1988 and in Norway in 1990. A central question is how this reform affects the relationship between political leaders and the top civil servants under contract.

This paper challenges the globalization thesis, which views the introduction of individual contracts for senior civil servants as a worldwide process of diffusion of similar reform ideas and solutions (Hood 1998). This convergence hypothesis states that the introduction of NPM reforms has reduced the differences between public administration in OECD countries. This is not the case when we look at New Zealand and Norway. Even though both countries introduced contractual arrangements at roughly the same time, the content of the reforms and their scope, scale and intensity were very different.

There is an important distinction between relational contracts and agency contracts. Relational contracts are implicit understandings which endure, not because of legal sanctions but because of the shared needs of the parties involved. In such contracts trust is essential (Martin 1995). Agency contracts, on the other hand, are formal, binding legal arrangements. They are goal-oriented, incentives-based, concrete and specific and have a limited time horizon. The main argument for using such contracts is the belief that they enhance efficiency. A typical form of agency contract would be the employment of chief executive officers (Lane 1999, p. 183). Agency contracts are based on the idea that people act in their own self-interest and extends the study of such behaviour beyond market transactions to situations where other values such as loyalty and duty are important.

In this paper I will discuss how useful agency contracts are with respect to top civil servants. The contract arrangements for administrative leaders in New Zealand and Norway represent an interconnected system of employment agreements and performance agreements. Thus far, the performance element in the contract system has been investigated to a greater extent than the employment elements. In the United States management by contract has been less widespread than in many other OECD countries and the performance contracts being written do not appear to be contracts in any sense of legal enforceability (Peters 1996). Several US studies have revealed the paradox of performance pay. While performance-based pay reforms have been very popular, they have not been particularly successful.

They have yielded no clear improvement in performance and have failed to create a more flexible or more satisfactory evaluation and compensation system (Ingraham 1993; Rainey 1998). Pay-for-performance systems have not increased either motivation or productivity for public managers; nor have they made any difference in these managers' commitment or loyalty to the organization (Ingraham 1998). In spite of this lack of success, performance pay is still an important element in NPM reform (OECD 1997). I will try to arrive at an understanding of this paradox by using a transformative perspective. The transformative perspective focuses on the external environmental dimensions and on the internal dimensions which embrace political-administrative culture and polity features in order to understand the background to the reform, the reform paths taken, and the effects experienced and achieved (Christensen and Lægveid 1999, 2001).

In the context of these dimensions I will discuss why the content, effects and implications of contract reforms may differ as well as why the links between measures, actual changes and practice may vary. First, the formal changes, their implementation and the experiences gained from them in the two countries studied are described and compared along different analytical dimensions. Second, the diverging reforms are interpreted using a transformative perspective. Third, the lessons learned from using agency contracts for top civil servants are discussed.

FORMAL CHANGES

Prior to 1988, New Zealand had a unified public service career system. The State Services Commission (SSC) managed a detailed array of occupational classes each of which had its own pay scale and promotion system (Boston 1991). Civil servants had permanent positions and were nominally employed by the SSC under a centralized wage-fixing system, which included collective determination of pay and conditions. Ten years later, public servants found themselves employed by departmental chief executives on a basis similar to that of their private sector counterparts (SSC 1998). The new individualized system of contractual appointment was implemented by the State Sector Act (1988) and the Public Finance Act (1989). The contract system was not limited to top leaders but was part of a wider change in New Zealand's industrial relations brought about by the Employment Contract Act (1991).

Prior to 1990, the salaries of top civil servants in Norway were determined through joint negotiations between civil service unions and the government in a system whose chief features were central control, standardization, permanent positions, and salary determined by rank and seniority. In combination with the strong egalitarian norms of Norwegian society, this tradition resulted in low salaries for top civil servants compared with other countries. Indeed, the salary table for Norwegian state employees was one of the most contracted of all the OECD countries (Hood and Peters 1994). The 1990 reform stipulated that all positions from the

rank of director general upwards were to be excluded from future general agreements and made subject to an individual employment contract system. Approximately 450 top state sector management posts were encompassed by the new system.

Temporary or permanent contacts

The contract reform in New Zealand introduced annual performance agreements between ministers and chief executives, an annual system of performance assessment and a related system of performance-linked remuneration. A five-year contract term was established in place of the previous permanent tenure, and departments were to be headed by chief executives in place of their former permanent heads. The reform granted no automatic right of renewal, although those who had performed satisfactorily were typically offered an extension for a further three years or encouraged to apply for a position within another government department.

In Norway, too, a performance contract system was introduced in which objectives were to be agreed upon between the secretary general and his minister and between director generals and the secretary general. The achievement of these objectives was to be evaluated once a year and this evaluation was to provide the basis for annual revision of the contract. The leaders would, however, retain a permanent position within the civil service. The idea was that a good result would lead to an increase in salary, while a poor performance could lead to a reduction in the personal supplement, or, in the worst case, to a transfer to another position.

Elitist or egalitarian culture

The State Sector Act sought to import private sector management practice into the New Zealand public sector to improve efficiency and effectiveness (Walsh 1991, p.73). There was a shift to a more technocratic style of governance and the egalitarian public service adopted a more elitist managerialist ethos (Gregory 1998a). This new contractualism replaced the implicit or relational contracts that characterized traditional public administration. Performance agreements and performance review displaced the old service ethic of trust and responsibility with accountability for the results from each chief executive (Schick 1998).

In Norway the egalitarian norms were strong and the new contract system became a part of the government's moderate income policy called 'solidarity alternative'. In addition to the incentive function, the new system allowed for the granting of personal supplements to reflect market conditions or the position held, but a main objective was to keep the wage increments as low as possible. Even though the relationship between supplementary salary and performance was presented as a mainstay of the new system, the reform was still not a clear-cut pay-for-performance system. In sum, the general ideas behind the reforms focusing on efficiency were rather similar in the two countries, but the New Zealand approach was

more radical than the Norwegian and it was also more internally consistent. The performance management system in New Zealand was more formalized, comprehensive and exacting. The traditional centralized employment structure and the collective award, tenure and grievance procedures of the public service gave way to decentralized employment, enterprise bargaining and individual, temporary contracts. In contrast, the Norwegian system remained more centralized, allowed for smaller income increases, had permanent contracts and was embedded in a stronger egalitarian political-administrative culture.

IMPLEMENTATION AND EXPERIENCES

Remuneration

In New Zealand a bonus system for senior executives rewards performance that exceeds expectations and envisages a formal reprimand or dismissal for performances below expectations. The annual lump sum bonus can be up to 15 per cent of base salary. The salaries were supposed to be comparable with the private sector as senior civil servants moved from permanent tenure to five-year terms. This process involved substantial pay increases for those in jobs with considerable responsibility. Officials in smaller departments with less responsibility received only minimal increases to their existing salaries.

Early assessments of the new regime indicated more flexible conditions of employment and a marked increase in the range of salaries paid to chief executives (Boston 1991, p. 83). Even so, up until 1998 the salaries of chief executives drifted steadily away from their private sector benchmarks set in 1988. In 1996 they were as much as 30-50 per cent below them. Nevertheless, when compared with the average New Zealand wage, current public service chief executives are now far better off than were permanent heads under the pre-1988 regime (Gregory 1998a). There is a growing disparity within the leaders' group and also between this group and other employees. Under the previous pay-fixing arrangements, departmental heads in the top bracket earned about 50 per cent more than those in the bottom bracket. By the mid-1990s, the basic salary for those at the top of the range had become double that of those at the bottom (Boston *et al.* 1996, p. 105).

In Norway the specifics of the contract system was a compromise between traditional salary policies and new salary doctrines and changing political manifestations. This resulted in lower increases than were originally envisaged and also a less decentralized and less flexible system. Four salary categories were introduced with the options of earning a personal supplement of up to 20 per cent of the basic salary in each category. Three quarters of the positions were placed in the lowest category.

When the contract system was introduced in Norway, the top civil servants received a wages increase of 14 per cent. However, subsequent salary increases for top civil servants were generally lower than those for other

groups. In 1995 a secretary general earned 70 per cent of what his counterpart in the private sector earned, and this was also the approximate differential at the time the reform was introduced. Up to 1996 individual supplements or changes in salary category had been implemented for about half of all leaders covered by the system, but in most cases the level of the supplements was very low (Lægreid 1997). There were, however, major differences between the ministries in the use of personal supplements, partly due to different market exposure and focus on economic values.

Recruitment and mobility

The new appointments procedure in New Zealand was intended to create as wide a recruitment pool as possible for senior civil servants and to attract highly competent private-sector managers (Scott 1996). Even with market-based remuneration and the high visibility of the reforms, however, it has not been easy to recruit candidates from outside the government. Appointments from the private sector into the senior civil service in New Zealand have been few and far between. In the period from 1989 to 1998, just 7 per cent of the appointments of public service chiefs were made from the private sector (Gregory 1998a). One central aspect of the reforms was to make it easier to remove poorly performing staff. However, up to 1996, only one chief executive had chosen not to have his contract renewed and only one had failed to have his contract renewed.

Nor does the Norwegian contract model appear to have had a significant effect on the pattern of mobility (Lægreid and Savland 1996). Neither recruitment from the private sector nor the resignation of leaders to join private institutions appears to have changed particularly. Where the reform has had an influence on mobility is apparently encouraging transfers between state institutions. In general the internal labour market within the civil service as a whole appears stable. Sixty per cent of top leaders considered that the reform had little or no effect upon the problems of recruiting and retaining qualified top and middle levels of management.

Performance agreements

In New Zealand the introduction of annual performance reviews has been a mixed blessing. On the one hand, chief executives take their performance agreements seriously and use them as a device for monitoring departments' work and for measuring progress. On the other hand, few were happy with the SSC's effort to operate the review system, and many ministers were ambivalent about the merits of both performance agreements and performance reviews. Criticism has been directed at the difficulty of specifying performance standards, the amount of time involved and the increased danger of inflexibility and rigidity (Boston 1991, pp.103-4). The performance agreements may give chief executives an incentive to go by the book. 'Management by agreement' and checklist behaviour can be problematic for accountability since basing accountability on *ex ante* specification of per-

formance according to contractual duties and information flows may mean that unanticipated, and therefore unspecified, matters escape accountability (Schick 1996, pp.48,87).

In Norway the performance-related element turned out to be even more difficult to operate in practice (Lægreid 1994, 1997). A survey conducted on the civil servants under contract two years after the introduction of the reform revealed that it was hard to determine precise, operational objectives and performance indicators. Fewer than one-third believed that the defined objectives were, in fact, measurable. The formulation of objectives and results was for the most part ambiguous and used loose phrasing and terminology which was open to a wide range of interpretations. The leaders were also uncertain about whether the salary system had, in fact, contributed to increased efficiency.

In contrast to the New Zealand system which is closer to a strict pay-for-performance system the Norwegian one might be described as a mutation, based on the principle of pay-for-contribution which implies a softer and broader value-added system balancing different criteria (Wise and Sjöström 2000). It has been hard to follow up the intention of linking salary directly to results on an individual basis. Fewer than 10 per cent of the personal supplements granted were based on performance assessments. In our data no supplements were reduced or cancelled because of poor achievement. In practice the main arguments used for granting an individual supplement was the importance of the position, the range of tasks carried out and market argument.

Accountability and responsibility

Taking accountability seriously is an important aspect of the rhetoric of the New Zealand model, but the acceptance of political responsibility by ministers has been further attenuated. There are problems with a managerialist approach in public administration in that it de-couples management from political processes and undermines cross-sectoral co-ordination. One effect of the transition from the role of a traditional departmental head to a new decentralized management role was that some of the traditional functions of policy advice received less attention than previously.

Something may be lost of professional ethics and a commitment to do one's best when responsibility is reduced to a set of contract-like documents and auditable statements (Schick 1996, p. 85). Under a corporate model qualities such as loyalty, innovation, integrity and commitment to public well-being are subordinated to the goals of efficiency and managerialism (Kelsey 1997, p. 142) and the accountability system may have a demotivating effect on chief executives (SSC 1999). There is a need to 'reinvent' ethical standards and behaviour in the public service (Boston *et al.* 1996, p. 332; Gregory 1995).

Annual agreements tend to put undue focus on short-term priorities and problems at the expense of potentially more significant, though less

immediate, concerns. Moreover, such agreements encourage excessive specification of activities and result in order to ease later assessment of performance with respect to performance pay. This is at odds with the fact that the job of a chief executive is beset by unpredictability and the leadership task is one of exercising judgement as circumstances unfold and of choosing between priorities and options. Excessive specification tends to alter the democratic values (SSC 1998).

In Norway individual evaluation and measurement of results on the basis of the contracts has been problematic. Two years after the introduction of the reform, more than a third of civil servants had neither renegotiated their contracts nor were in the process of re-evaluation (Lægreid and Mjør 1993). Of those who had renegotiated their contract, only a minority expressed that a basic evaluation of their achievements had taken place. There was considerable doubt among top civil servants about whether the reform had made it easier for weaker leaders to be reappointed to other posts. Thus, there are strong indications that the contract system has had little direct effect on how leaders in top positions actually function. Very few of those who had gone into the contract system believed that it had resulted in any significant change in the manner in which they carried out their own daily work.

Satisfaction

The effects of the new system in New Zealand show a mixed picture and views concerning the effectiveness of contracts are quite divided (Stace and Norman 1997). The new system of contract employment has worked reasonably well and has won the support of most chief executives. On the other hand some managers are complaining that their contracts have become rather like the old rules that the reform was supposed to have swept away. The answer is more trust and more 'relational contracting' – looser arrangements which rely on a high degree of understanding between minister and chief executive (James 1998).

There has been widespread scepticism about performance appraisal schemes based on perceived inequities in operation and on outcomes which have seemed to bear little relationship to individual performance and merit (SSC 1998). It takes more to hold managers accountable than to negotiate contracts and report on performance. The conceptual distinctions drawn by the reform with regard to the roles of minister and chief executive are amply clear on paper, but they fail in practice. The ambiguity of responsibility becomes especially clear when things go wrong (Gregory 1998b).

A good working relationship between ministers and their chief executive requires trust and mutual respect, and these ingredients cannot be manufactured via performance agreements. In addition, the political environment needs to be relatively stable and ministers must be willing to specify their strategic objectives. However, the nature of politics under a parliamentary system of government does not normally live up to these expectations.

In Norway process aspects of contract reform may have had cognitive effects in the form of improved communication, more clearly defined leadership roles, and a more highly developed objectives culture. Even though leaders did not observe significant changes in their own work situation in 1993, many still considered that the reform had contributed to better leadership and goal achievement and had increased leaders' motivation and contribution. This suggests that the leaders had a more positive view of the reforms when asked in general terms or when asked about potential, rather than actual effects. Over time, however, scepticism regarding the contract system has grown. A survey in 1996 revealed that more than 70 per cent of leaders had put work with the performance contract aside or else regarded it as a dead ritual (Administrasjonsdepartementet 1996).

Evaluation

There is a paradox between the emphasis on evaluation and performance assessments in the reform model on the one hand, and the lack of real evaluation of the reform models themselves on the other (Lægreid and Roness 2001; Olsen 1997; Pollitt and Bouckaert 2000). For the contract model this is of special significance because its legitimacy is based on results. While much has been written about the New Zealand model, there have been few systematic and empirical evaluations of its effectiveness. Many of the reports of the effects have relied heavily on the opinions of senior managers and key players in the reform process. There has been a failure to evaluate the reforms in a detailed, rigorous and systematic fashion.

The absence of any effective, ongoing monitoring and evaluation in a programme whose *raison d'être* was to improve accountability shows the extent to which state sector restructuring was ideologically driven (Kelsey 1997, p. 145). In other words, the contractual model was chosen more for its ideological appeal than for its practical implications, which seem to have been insufficiently explored. The adoption of performance agreements and performance contracts based on corporate plans suggests that governments are denying the realities of the political process, which involve muddling through and responding to pressure.

Although the contract reforms may have been relatively successful from an efficiency perspective, they have been less effective in ensuring the achievement of government policy objectives (SSC 1998). Since the early 1990s there has been a continuous process of adjustment and refinement of the performance agreement system. The aim has been to make performance agreements more specific and exacting, to give them a sharper and more strategic focus. New Zealand officials, having invested more than a decade in trying to improve their government's performance through ever-preciser specifications of contract goals and better measurement of output, have found themselves drawn into the far fuzzier world of outcomes. The elegant construction of the reforms has been strained by the pressure of coping

with the broader links between policy and management, between contract goals and results (Kettl 1997, p. 457).

During the early years of the Norwegian reform the assessment was that, despite criticism and dissatisfaction with the new system, it was best to go ahead, making minor changes. The contract model was structured first and foremost to meet the problems encountered in the market-oriented agencies; but it was, nevertheless, applied to all administrative bodies. The paradox is that the public enterprises for which the reform is relatively well suited are partly excluded from the system in Norway as a result of structural devolution.

Since 1997 there has been a certain amount of delegation to individual ministries regarding questions of salary supplements and performance contracts. Flexibility was also increased through the introduction of new salary categories. At the same time, 91 positions were transferred back to the ordinary collective pay negotiation system. It was also intended to revitalize the performance element, but so far this wish has not yielded any significant results. The evaluation concluded that there was nothing wrong with the principles behind the system and that the difficulties in making it function as intended were simply due to unfortunate political and economic conditions or practical administrative problems. Failure was attributed to mismanagement and a lack of political skills, management capacity or financial resources; and the suggestions from the evaluators were simply to be patient, persevere and wait for better times.

One lesson that might be learned from the Norwegian experiences is that the reform has probably had a greater effect on expectations and aspirations among senior civil servants than on salary conditions and performance – a lesson which has also been learned in other administrative reform processes (March and Olsen 1995). When the present reform was introduced, it created expectations regarding salary increases which were not met. The result was disillusionment. The changes promised more on paper than they yielded in practice.

DISCUSSION: DIVERGING REFORMS

The new contract system was implemented cautiously and reluctantly in Norway and aggressively and thoroughly in New Zealand. Whereas in Norway the connection between reform measures and the changes which have actually occurred is relatively loose, in New Zealand there seems to be a tight link between reform ideas, the solution selected and the actual changes made.

However, in both countries the contract reform for top civil servants has thus far had a mixed reception when it comes to experiences and effects. It is puzzling that reforms with significant differences in formal and actual changes are more similar when it comes to effects and experiences while the learning has nevertheless been quite different in the two countries. This might indicate that the underlying theory behind the reform is uncertain

(Egeberg 1995; Perry 1986) and that there might be some ambiguity when it comes to the construction of the reform.

The formal transfer to the contract system has essentially been completed in both countries, but in Norway there has been a certain amount of caution about making active use of it. While the Norwegian system has been partly reversed, the New Zealand model has been extended. The recent reforms represent a paradigmatic shift in the instruments of governance. In Norway the contract system and the freedom which it was to permit have been only partly realized. Norway has seen less flexibility, individualization, market orientation, local autonomy and performance-pay than the opportunity of reform provided. Top civil servants in Norway seem to regard performance as their personal responsibility to a lesser extent than in New Zealand. Norwegian contract reform is also less integrated in a broad package of reforms. The result is a moderate and gentle reform in Norway, as opposed to a radical, tough hard-line reform in New Zealand. The differences between Norway and New Zealand are probably greater under the new contract system in 1999 than under the previous system of ten years earlier, and this goes against the ideas of homogenization, isomorphism and convergence which a globalization thesis assumes.

The effects of the reform are ambiguous and uncertain both in New Zealand and Norway, and there is a need for better empirical information about how the contract model really works. One problem with evaluating the contract system is that it will be difficult to tell whether effects have been generated within the contract system or whether they have resulted from external changes. The identification problem is especially relevant in New Zealand, where this element is part of a much broader package of reforms.

A second issue is the counterfactual problem, or what would have happened if the contract system had not been introduced (Pollitt 1995). The previous general pay may not be an appropriate standard of reference, because that system has also changed. A third question concerns the criteria to be used in the evaluation. An evaluation of contract reform is also problematic because of objectives are ambiguous and partly contradictory. There is an absence of clear benchmarks against which to assess the pay reform (Boston *et al.* 1996, p353).

As a result of these evaluation problems it is impossible to say clearly or conclusively whether the contract system is really working as promised (Boston 1999). The contract reform has a weak empirical foundation. Nevertheless, it has survived.

Transforming contract systems

To understand the design, practice and evaluations of the contract system the influence of ideas, interests and established norms must be considered. Contract reforms in Norway and New Zealand might be seen as a the product of a complex interaction between external and internal dimensions. While the external dimension comprises primarily the environmental

characteristics of the economy and international ideas about administrative reform, the internal dimension refers to both national/cultural traditions and structural/polity features that each country has at its disposal.

With regard to *environmental characteristics*, the perception in New Zealand in the early 1980s was that the country was in economic crisis and this made it easier to press for comprehensive civil service reforms (Evans *et al.* 1996). In addition, being a member of the Anglo-American family may have made it easier to imitate or build on certain reform elements from the United States and the United Kingdom (Castle 1989; Halligan 1998; Hood 1996).

In Norway, there was no obvious economic crisis that could legitimate comprehensive administrative reform, and the distance from Anglo-American reform was greater. The neo-liberal flavour of the Anglo-American reforms challenged the traditional core concept of a good public sector, as it had become institutionalized in Norway over decades. There was a cultural incompatibility between international criticism of the public sector and the Norwegian model of an interventionist, planning state.

One of the internal dimensions which could potentially explain reform processes and effects is the *national/cultural tradition* – i.e. norms and values that characterize the political-administrative systems. In Norway there are strong statist traditions, complex systems of governance that balance different tasks, mutual trust between political and administrative leaders, equality, incremental changes, and a policy style of peaceful cooperation, pragmatism and revolution in slow motion. All these factors suggest that a contract system will be implemented slowly, reluctantly and in a modified form (Olsen, Roness and Sætren 1982).

Those parts of the pay system which did not coincide with the Norwegian bureaucratic culture, such as performance contracts, were considered less relevant. In the course of the implementation process, the new contract system, which was initially planned as a radical change, became more incremental. The main trend has been readjustment and supplementation rather than fundamental transformation and replacement.

New Zealand is also a relatively small country, and it has been built on some of the same values as Norway, with the state as a collective vehicle for popular action. Even so, New Zealand is probably more polarized and culturally heterogeneous and its statist tradition has been in decline since the 1980s (Boston *et al.* 1996, p. 10-11). In contrast to Norway, the relationship between the Labour government and civil servants in New Zealand was one of mistrust for certain periods of the 1970s (Mascarenhas 1996). For a long time the traditional co-operative, corporatist arrangements played an important political role in both countries as did the close connections between their Labour parties and the trade unions, but this feature was initially stronger in Norway and began to weaken in New Zealand in the early 1980s.

Two normative questions, linked to different administrative cultures, can

be raised in connection with the contract reform (Hood and Peters 1994). The first is how much a top civil servant should earn. One relevant criterion here is that of representation. This egalitarian principle has strong roots in Norway. Another criterion is the market. This is an individualistic principle that has a firmer footing in New Zealand. The second normative question is how salaries shall be determined. One principle, which is strong in Norway, is that of public access or visibility. Another criterion, which is stronger in New Zealand, is performance. Contract reform was basically an experiment in strengthening the market and performance criteria, while giving less weight to considerations of representation and public access. But in practice the new system revealed that traditional criteria were not easily set aside in Norway.

The second internal dimension, *structural and polity features*, is somewhat different in the two countries. New Zealand had a first-past-the-post electoral system, until a mixed member proportional system was introduced in 1996, which made a forceful implementation more likely than in Norway where a multi-party system and minority government tend to lead to negotiations and parliamentary turbulence (Christensen and Peters 1999); those responsible for the Norwegian reform made adjustments in accordance with what was politically possible. In contrast to New Zealand, Norwegian civil service unions influenced the speed and scope of the reform process. In New Zealand, the control potential was highly influenced by the existence of a unitary form of government, a unicameral Parliament, a strong executive and tight party discipline in Parliament (Boston *et al.* 1996, pp. 43-50). In addition, the Westminster system probably also allowed more scope for political leaders to act as reform entrepreneurs than did the multi-party system in Norway, with a formally weaker Prime Minister. In Norway, top civil servants were more important agents of change than ministers (Lægreid and Roness 2001). The Norwegian model of governance has a weak central government and delegates more authority for policy and administrative reform to departments, agencies and civil service unions (Lindquist 1999).

These moderate changes reflect a Norwegian reform tradition which avoids confrontation and prefers political negotiation involving discussions back and forth until a consensus is reached that everyone can live with (Olsen 1996b). The contract reform was largely a test area to see how far this consensus can be stretched. In many cases the contracts in practice became pseudo-contracts reinforcing traditional patterns of work (Bennett and Ferlie 1996). The political dilemma which the reform produced prevented the use of a normal management-oriented practice as envisaged by those who initiated the reform. In Norway the top civil servants agreements with their ministers were in practice more quasi-contracts than strict legal contracts, and this was to some extent even true in New Zealand (Pollitt and Bouckaert 2000). Confronted with the political logic, legally binding

contracts between ministers and top administrative leaders were difficult to enforce.

CONCLUSION

The reform process in New Zealand and Norway ran parallel in the sense that contract models were taken up in each country at about the same time. The models were, however, used to different degrees and with considerable adaptation to fit the specifics of national administrative culture and administrative policy. Administrative reform processes, such as those related to contractualism, do not simply entail adopting current international administrative doctrines but must be understood from a transformative perspective. As practice shows, the reform concepts are revised, filtered, interpreted and modified via two nationally based processes. One such process is the development of a unique national political-administrative history, culture, traditions and style of governance. Another such process involves the development of a set of institutional arrangements, formal structures and polity features. Within these constraints and opportunities the initiatives of political leaders and their instrumental actions are undertaken through administrative design and active national administrative policy in co-operation or confrontation with top civil servants and civil service unions to reflect their interests (Olsen 1992; Olsen and Peters 1996). This means that we need to study the connections between ideas, institutions and interests in order to understand the contract arrangements in the two countries (Peters and Hood 1995).

At one extreme, there might be a decontextualization process which emphasizes where environmental reform concepts and internal needs mesh. At the other extreme, there might be a contextualization process stressing the uniqueness of national systems and the lack of compatibility with externally produced reform ideas (Røvik 1996, 1998). This paper shows that when externally generated reform concepts and processes are transferred to national political-administrative systems they are more complex and have more varied and ambiguous effects and implications than the extremes outlined above.

Past experience of administrative reform has distinguished between an 'incubated' mode and an 'acute' mode (Dunleavy and Hood 1994). In the first case, reform ideas do not come into full effect until long after their introduction; in the second case there is a Hawthorne effect in which the reform programmes peak early and then break up quickly (Hesse, Hood and Peters 2001). Our case seems to be more in accordance with a third interpretation of administrative reforms namely reforms as a recurring triumph of hope over experience (Downs and Larkey 1986). In this interpretation, contract reforms are transformed to fit the national administrative context, the government's administrative policy and external pressures, and in this way the contract concept keeps running, in spite of repeated disappointments and ambiguous effects. This is not necessarily a bad strategy.

It might be wise to slow the learning rate in situations involving noisy experiments and ambiguous feedback. Fast learners tend to track noisy signals too closely and to confuse their own learning by making changes before the effects of previous actions are clear (March 1995; Olsen 1996b). The slow learning argument does not, however, reduce the need to query the underlying theory of the reform, particularly as regards what might be achieved through pay-for-performance and individual contracts for senior civil servants who are to function as policy advisors to the political leadership.

One lesson that might be learned is the instrumental weakness of the contract reform concept. Performance contracts for these kinds of positions look better *ex ante* than *ex post*. They promise more than they can deliver. Another lesson related to this is that the outcome of the new contract regimes adopted for top civil servants does not necessarily follow the intentions of the architects of reform (Hood 1998). It is difficult for ministers to live up to the demands of the contract system. Contracts may not always make it easier in practice to dismiss or move public servants and they have a potentially perverse effect on the responsibility and accountability of top civil servants. Hood (1998) argues that 'political re-engineering' and path dependency are important in understanding the reform processes in New Zealand and the United Kingdom and this is probably even more true when comparing New Zealand and Norway, countries in which the reform processes produced even less convergent outcomes. The argument is that national differences and path dependency are based on differences between the two countries' economy, polity, national administrative policy and political-administrative culture.

The employment relationship at senior levels may not be best served by too specific a listing of responsibilities and expectations. Flexibility and duty have priority over precise job specification. In contrast to a relational contract which facilitates an easy flow of information and enhances flexibility, an agency contract aims to limit flexibility and flow of information. In New Zealand chief executives and senior managers attribute most of the improvement in government performance to the discretion given to managers rather than to formal contracts, and this is even more true in Norway. Few think contracts have been the main contributor to higher operational efficiency (Schick 1998). There are thus a number of problems with agency contracts for top civil servants. A hard-edged contractualist approach also has a number of disadvantages (Gregory and Hicks 1999; Martin 1995, pp. 40-41; Schick 1998, p. 126).

First, there is the problem of specifying objectives. It is often difficult to specify contractual obligations in terms that bear a sensible relationship to the nature of the task to be fulfilled. The New Zealand model focuses on matters that can be specified in contracts, such as the purchase of outputs, but gives inadequate attention to outcomes and the government's ownership interests. Second, negotiating and enforcing contracts entails high

transaction costs. Provision of information which enables the principal to clearly ensure that the agent has performed as required can be a complex exercise, both because of the difficulty and cost of developing adequate information systems and because of the problem of being 'free and frank' when exposed to sanctions. Third, a separation of functions does not solve the accountability issue. A shift from implicit, relational contracts based on mutual trust to explicit legalistic agency contracts specified in documentation may undermine the quality of sound judgement and the complex accountability and responsibility obligations of public officials. Fourth, the question of values arises. A 'mechanistic' approach to contractualism might not be sensitive to issues of ethics and ethos and might weaken traditional values of public service, such as personal responsibility and professionalism and other such cultural enhancements of good performance. Fifth, there is the question of flexibility. Much of government is concerned with reacting to uncertainty and the unexpected and with learning from experience, and these aspects of the political process might not be handled properly through government by contract.

ACKNOWLEDGEMENTS

The author would like to thank Robert Gregory for valuable comments and suggestions. He has also benefited from comments from Tom Christensen, Mark Considine, Anders Forssell, John Halligan, Martin Painter, Paul G. Roness, Kerstin Sahlin-Andersson, Hans Robert Zuna, Lois R. Wise and one anonymous referee.

REFERENCES

- Administrasjonsdepartementet 1996 'Statens lederlønnsordning Rapport fra evaluering' Oslo. Administrasjonsdepartementet
- Bennett, C. and E. Ferlie 1996 'Contracting in theory and in practice some evidence from the NHS,' *Public Administration* 74 1, 49-66.
- Boston, J 1991 'Chief executives and the senior executive service,' in J Boston *et al.*, (eds), *Reshaping the state*. Auckland. Oxford University Press
- 1999. 'The New Zealand case,' *Samfundøkonomen* 3, 5-13
- Boston, J., J Martin, J Pallot and P Walsh 1996. *Public management the New Zealand model*. Auckland Oxford University Press
- Castle, F 1989. 'Big government in weak states. the paradox of state size in English-speaking nations of advanced capitalism', *Journal of Commonwealth and Comparative Studies* 27, 267-93
- Christensen, T and P Lægveid 1999 'New public management - design, resistance or transformation?', *Public Productivity and Management Review* 23, 2, 169-93.
- 2001 'New public management the effects of contractualism and devolution on political control', *Public Management* 1 (forthcoming)
- Christensen, T and B G Peters 1999. *Structure, culture and governance A comparative analysis of Norway and the United States* Maryland. Rowman & Littlefield.
- Downs, G W. and P.D Larkey 1986. *The search for government efficiency*. Philadelphia Temple University Press
- Dunleavy, P. and C Hood 1994 'From old public organization to new public management', *Public Money & Management* July-Sept 9-16.

- Egeberg, M 1995 'Bureaucrats as public policy-makers and their self-interests', *Journal of Theoretical Politics* 7, 2, 157-67
- Evans, L. et al. 1996 'Economic reform in New Zealand 1984-95. the pursuit of efficiency', *Journal of Economic Literature* XXXIV (Dec.), 1857-1902
- Gregory, R 1995. 'Bureaucratic "psychopathology" and technocratic governance: whither responsibility', *Hong Kong Public Administration* 4, 1, 17-36
- . 1998a 'The changing face of the state in New Zealand: rolling back the public service?' Paper presented at the Annual Meeting of the American Political Science Association, Boston, 3-6 Sept
- . 1998b 'A New Zealand tragedy. problems of political responsibility', *Governance* 11, 2, 231-40
- Gregory, R, and C Hicks 1999 'Promoting public service integrity. a case for responsible accountability', Paper presented to the conference on Government and Business Integrity and Accountability, Brisbane, 11-14 Feb.
- Halligan, J 1998. 'Comparing public service reforms in OECD countries', in J. Halligan (ed.), *Public service reform* Canberra: Centre of Research in Public Sector Management, University of Canberra
- Hesse, J.J., C Hood and B.G. Peters 2001. 'Paradoxes in public sector reforms: soft theory and hard cases', in J.J. Hesse, C Hood and B.G. Peters, (eds.), *Paradoxes in public sector reform*. Berlin: Duncker & Humboldt (forthcoming).
- Hood, C 1996 'Exploring variation in public management reform of the 1980s', in H.A.G.M. Bekke, J.L. Perry and T.A.J. Toonen (eds.), *Civil service systems* Bloomington: Indiana University Press.
- . 1998 'Individualized contracts for top public servants. copying business, path-dependent political re-Engineering – or Trobriand cricket', *Governance* 11, 4, 443-62.
- Hood, C and B.G. Peters, (eds.), 1994 *Rewards at the top* London: Sage
- Ingraham, P.W. 1993 'Of pigs and pokes and policy diffusion: another look at pay-for-performance', *Public Administration Review* 53, 4, 340-56.
- . 1998. 'Making public policy: the changing role of higher civil service', in B.G. Peters and D.J. Savoie, (eds.), *Taking stock: Assessing public sector reforms* Montreal: McGill-Queen's University Press
- James, C 1998 The state ten years on from the reforms: Occasional paper no. 6 Wellington: State Service Commission
- Kelsey, J. 1997 *The New Zealand experiment*. Auckland: Auckland University Press.
- Kettl, D.F. 1997. 'The global revolution in public management: driving themes, missing links', *Journal of Policy Analysis and Management* 16, 3, 446-62
- Lane, J.-E. 1999. 'Contractualism in the public sector', *Public Management* 1, 2, 179-94
- Lindquist, E 1999 Preconcerning the centre: leadership, strategic review and coherence in public sector reform Paris: OECD/PUMA/S6F(99)5
- Lægreid, P 1994 'Going against the cultural grain. Norway', in C Hood and B.G. Peters (eds.), *Rewards at the top* London: Sage
- . 1997. Pay reform for top civil servants in Norway: towards market and performance pay, or business as usual? Paper 9703. Bergen: LOS-centre
- Lægreid, P. and M. Mjør 1993 Toppsjefar og lønnsreform i staten Report 9303 Bergen: LOS-centre.
- Lægreid, P. and P.G. Roness 2001 'Administrative reform programs and institutional response in Norwegian central government', in J.J. Hesse, C. Hood and B.Guy Peters (eds.), *Paradox of civil service reform*. Berlin: Duncker & Humboldt (forthcoming)
- Lægreid, P. and T.E. Savland 1996. Lederlønsreform og mobilitetsmønster Paper 9614. Bergen: LOS-centre
- March, J.G. 1995 'Learning processes are powerful tools of organizational adaptation', *Tyon Tumuli Atkakauskirja* (Helsinki), 28-37
- March, J.G. and J.P. Olsen. 1995 *Democratic governance*. New York: Free Press
- Martin, J. 1995 'Contracting and accountability' in J. Boston (ed.), *The state under contract*. Wellington: Bridget Williams Books
- Mascarenhas, R.C. 1996 *Government and the economy in Australia and New Zealand* San Francisco: Austin & Winfield
- OECD. 1997 *Performance pay schemes for public sector managers*. Occasional Papers No. 15 Paris: OECD (PUMA)
- Olsen, J.P. 1992 'Analysing institutional dynamics', *Statwissenschaften und Staatspraxis* 3, 2, 247-71

- . 1996b. 'Slow learner – or another triumph of the tortoise' in J.P. Olsen and B.G. Peters (eds.), *Lessons from experience* Oslo Scandinavian University Press
- . 1997. 'Civil service in transition – dilemmas and lessons learned' in J.J. Hesse and T.A. Toonen (eds.), *European Yearbook of Comparative Government and Public Administration*, Vol III Baden-Baden Nomos.
- Olsen, J.P. and B.G. Peters 1996 'Learning from experience', in J.P. Olsen and B.G. Peters (eds.), *Lessons from experience* Oslo Scandinavian University Press.
- Olsen, J.P., P.G. Roness and H. Sætren. 1982. 'Norway still peaceful coexistence and revolution in slow motion' in J.J. Richardson (ed.), *Policy styles in Western Europe*. London Allen & Unwin.
- Perry, J.L. 1986. 'Merit pay in the public sector: the case for a failure of theory', *Review of Public Personnel Administration* 7, 1, 57-69
- Peters, B.G. 1996. 'Contracts as a tool for public management their surprising absence in North America' Paper presented at Meeting of the European Group of Public Administration, Budapest, Aug
- Peters, B.G. and C. Hood 1995 'Erosion and variety in pay for high public office', *Governance* 8, 2, 171-94
- Pollitt, C. 1995 'Justification by works or by faith', *Evaluation* 2, 2, 133-54
- Pollitt, C. and G. Bouckaert 2000. *Public management reform A comparative analysis*. Oxford: Oxford University Press
- Rainey, H. 1998 'Assessing past and current personnel reforms' in B.G. Peters and D.J. Savoie (eds.), *Taking stock. Assessing public sector reforms* Montreal McGill-Queen's University Press
- Røvik, K.A. 1996 'Deinstitutionalization and the logic of fashion' in B. Czarnawska and G. Sevón (eds.), *Translating organizational change* New York: de Gruyter
- . 1998 *Moderne organisasjoner* Oslo: Fagbokforlaget
- Schick, A. 1996 *The spirit of reform. managing the New Zealand state sector in a time of change* Wellington State Service Commission
- . 1998. 'Why most developing countries should not try New Zealand's reforms', *The World Bank Research Observer* 13,1, 123-31
- Scott, G.C. 1996. *Government reform in New Zealand* Washington International Monetary Fund.
- SSC 1998 Annual report of State Service Commission. For the year ended 30 June 1998. Wellington. State Service Commission
- . 1999 Improving accountability: setting the scene. Occasional paper no. 10 Wellington State Service Commission
- Stace, D. and R. Norman. 1997 'Re-invented government: the New Zealand experiment', *Asia Pacific Journal of Human Resources* 35,1, 21-36
- Walsh, P. 1991, 'The State Sector Act 1988' in J. Boston et al. (eds.), *Reshaping the state*. Auckland. Oxford University Press
- Wise, L.R. and A. Sjöström 2000. 'Changing values and notions of pay equity in the Swedish civil service' in A. Farazmand (ed.), *Handbook of Comparative and Developmental Administration*. (2nd edn) New York Marcel Dekker (forthcoming)

Date received 21 January 1998. Date accepted 17 March 2000.

EUROPEANIZATION, WHITEHALL CULTURE AND THE TREASURY AS INSTITUTIONAL VETO PLAYER: A CONSTRUCTIVIST APPROACH TO ECONOMIC AND MONETARY UNION

KENNETH DYSON

This article examines Europeanization in Whitehall, using EMU as a case study. It argues that how the EMU policy community has developed within Whitehall, and its outcomes, cannot be captured using a narrow, rationalist game-theoretic framework. Although strategic behaviour is important, as Dyson and Featherstone (1999) argue, the primary question is how Whitehall players have defined British interests, formed a collective identity and given a specific meaning to the EMU game. The article applies a cultural approach to Whitehall, focusing on the macro structures of belief within which EMU policy is made.

The process of EMU has, in general, had radical implications for European states. These implications did not just become apparent on 1 January 1999, when stage 3 began with an independent European Central Bank (ECB) operating a single monetary policy. They were bound up in a process of economic convergence associated with joint management of the exchange-rate mechanism (ERM) since 1979 (Dyson 1994). For France the key turning point in domestic policy learning about the implications of EMU can be seen as 1983; for Italy, 1992 and 1996; for the Netherlands 1981–82. The implications were radical in that economic and monetary policies were ‘Europeanized’, meaning a process by which the values of European integration were internalized by domestic élites. Europeanization took two forms: direct, through first the freedom of movement of capital and then the centralization of monetary policy in the ECB, thereby constraining and reshaping domestic policies; and indirect, through the transmission into domestic policy processes of a European policy paradigm of ‘sound’ money and ‘sound’ finance (Dyson 2000). EMU was for most states associated with an economic policy revolution, involving paradigm change. It was bound up with a critical juncture for economic policy ideas and discourse.

In this process two European states stand out as distinctive – Britain and Germany. They share the distinctiveness of not relying on the EMU process to bring about radical domestic policy change. ‘Sound’ money and finance

Kenneth Dyson is Professor of European Studies at the University of Bradford.

Public Administration Vol. 78 No. 4, 2000 (897–914)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

ideas in Britain were part and parcel of a domestic policy of structural economic change that gathered momentum under Thatcher and Major and was continued by the Blair government after 1997. These ideas owed nothing to EMU. Germany was the template for designing EMU. German cognitive leadership for the process, not least through the D-Mark's role as the anchor currency of the ERM, suggested that the burden of adjustment would be born by others (Dyson 1994). The paradox is that, whilst both countries seemed ideologically proximate in their celebration of 'sound' money and finance, they were divided rather than united by the EMU process. EMU was bound up with Germany's search for a European identity, a political will to define German interests in European terms and a domestic 'permissive' consensus on European integration. In Britain, by contrast, domestic policy was not embedded in the EMU process. Whitehall stood apart from the Europeanization processes at work in EMU in both senses – direct, through the opt-out, and indirect.

This article offers a constructivist interpretation of how Whitehall ministers and officials behave over EMU (Wendt 1999). At the level of micro-structure it examines how the behaviour of players in the Whitehall EMU policy community is conditioned by beliefs. These beliefs affect how ministers and officials view EMU, define British interests, and behave. Attention is drawn to a defensive and cautious culture of 'constructive engagement' in EMU, the Treasury's role as institutional veto player, and the consequent tensions and conflicts that beset Whitehall's attempts to play a 'two-level' game. The Whitehall EMU policy community is seen as embedded in larger macro-level structures of belief that have constitutive effects on how ministers and officials view and play the EMU game. These wider structures of belief explain why domestic policy has continued not to be embedded in the EMU process. Conflict and confusion within Whitehall has continued to be framed within a larger continuity at the level of ideas. In consequence, Europeanization of domestic economic and monetary policies has remained minimal, and a nervous silence prevailed over EMU.

DOMESTICATION AND EUROPEANIZATION

Seen at a European level, EMU appears as more than just a material phenomenon involving greater economic interdependence, convergence and competition and thereby subjecting the behaviour of European governments to new constraints. It is, above all, a macro-cultural form with its own systemic properties (Dyson forthcoming). Its effects are constitutive, shaping how domestic policy makers define their interests and identities (cf. Wendt 1999). EMU has a cognitive dimension, with shared ideas impacting on domestic politics. Hence 'sound' money and 'finance' have a new prescriptive status via the Maastricht Treaty's stipulations on the independence of the ECB, the 'no bail out' provision, and the convergence criteria; via the Stability and Growth Pact's commitment to enforcing balanced budgets over the economic cycle; and via the new 'policy-pushing'

role of the ECB on behalf of 'modernization', 'structural reform' to welfare states and labour markets, and EU central bankers' leadership in disseminating the idea of 'credibility' as the lode star of economic and monetary policies (Dyson 2000). By their participation in the EMU process (since 1979) European states have been socialized into these values; their economic and monetary policy élites have internalized them through this process. In short, EMU has involved an endogenous process of policy change through learning and policy transfer.

This general picture has not been replicated in Britain. Comparison with the Europeanization associated with EMU in other member states highlights the 'domestication' of British economic and monetary policies. The reasons for this domestication lie in the lack of active participation in the EMU process. Britain had only a brief period (1990–92) in the ERM, ending in a humiliating exit that had long-term, fatal political effects on the image of the Conservative government for economic competence (Stephens 1996). ERM exit served as a catalyst for the growth of Euro-scepticism within the Conservative Party (Young 1998). Whitehall's involvement in EMU was constrained by the 'opt-out' of stage 3 negotiated at Maastricht; by the political decision of the Major government not to plan for a return to the ERM before stage 3; and by the Blair government's decision to rule out joining during its first period of office and not to join ERM2 in 1999, in effect the 'training ground' for entry. Even the decision to join the ERM in 1990 was motivated by the search for an extra policy instrument to discipline domestic inflation. In the decision to enter domestic economic motive prevailed (Hogg and Hill 1995).

Chancellor Gordon Brown's five economic tests for entering the single currency of October 1997 – notably convergence of business cycles – revealed a conditional and instrumental view of participation. It was linked to a Treasury agenda of exporting British ideas about structural economic reforms to goods, labour and capital markets (accepted in the so-called Cardiff process from 1998). The Euro-Zone was to be 'Anglicized' rather than Britain 'Europeanized'.

This agenda of structural economic reform reflected the Treasury's search for a new role after losing monetary policy to the Bank of England in 1997, a role that was defined in terms of Brown's belief in full employment. The lack of a cognitive process of Europeanization was further evident in the granting of independence to the Bank of England in the early days of the Labour government. Rather than implementing the European Monetary Institute's thinking, it borrowed from US and New Zealand ideas.

The differences between the Bank and the ECB over accountability and transparency became an additional problem associated with EMU entry (Balls 1998). This lack of attention to the European dimension was further apparent in the Labour government's lack of interest in gearing exchange-rate policy to the requirements of article 3 of the Maastricht protocol on the convergence criteria (two-years' stability of the pound sterling *vis-à-vis*

the euro). Neither the use of economic policy instruments nor the transformation of ideas into economic policy suggested that the British government was framing policy within the EMU process.

In these respects Britain differed from the three other non-members of stage 3 – Denmark, Greece and Sweden. It did not define itself as a ‘pre-in’ (O’Donnell 1996, p. 9). Britain remained a long way from revamping its domestic policies in terms of the EMU paradigm. Under Brown policy emulation and lesson-drawing has been essentially US-focused, notably in enterprise, innovation and employment policies and in tax and welfare initiatives. The Blair-Schröder Paper of 1999 was a one-way flow of ideas (explaining its cool reception in Germany). Indirect Europeanization of British economic policies was not discernible. The next sections seek to explain this low degree of Europeanization by two variables – at the macro-level, the cognitive structure informing, shaping and legitimating Whitehall policies; and, at the micro-level, the role of the Treasury as an institutional veto player.

POLICY BELIEFS, THE CITY AND US-CENTRIC POLICY LEARNING

How Whitehall ministers and officials define British interests and formulate collective identity in relation to EMU is framed by a deeper structure of principled and causal beliefs. Before examining the mechanisms at work within Whitehall it is important to identify these beliefs and their constitutive effects on the properties of Whitehall culture.

The most striking long-term continuity has been the lack of a political leadership in Whitehall committed to a belief in European political unification and demonstrating the political will to ‘nest’ domestic policies in this framework (cf. Denman 1996; Young 1998). Neither Major nor Blair (despite the latter’s stronger European convictions) was a Helmut Kohl or a François Mitterrand on Europe and EMU. British interest was not defined in terms of a responsibility for building Europe; EMU was not a matter of peace or war. Long-term legacies were at work, especially powerful collective myths and memories. Notably, the Second World War had reaffirmed the British sense of worth of their national identity rather than prompted collective reflection about the need to redefine it. The only political leader who acted as *animateur* on Europe was Margaret Thatcher. But her contribution was to use EMU to reassert British identity *against* Europe and to act as catalyst for a Euro-sceptic turn in the Conservative Party. Thatcher was more successful than any other political leader in defining the terms on which the British state’s individuality was projected. EMU was an important variable in prompting this process. Thatcher’s Bruges speech of 1989 was an important signal to Whitehall about the limits to constructive engagement on Europe (Craddock 1997). In its wake it became more difficult for Whitehall to talk constructively about building Europe. On EMU it exuded a cautious pragmatism laced with scepticism (for example Taylor 1995, p. v). By remaining vague and conditional on the euro in his Ghent speech of

February 2000, Blair did nothing to overcome the nervous silence in Whitehall.

The power of the constraints facing a constructive and bold leadership on Europe became clear under Blair. Important conditions were in place: he was instinctively pro-European, and had the backing of a huge Commons majority and a Labour Party united around Europe. Blair declared that there was 'no overriding constitutional barrier' to EMU. In practice, the government's discourse about EMU remained highly cautious and pragmatic, stressing the conditionality of British participation on a set of economic tests, delaying a decision about when to hold a referendum till after the next election, taking a low-profile role in making preparations for entry, and refusing to set a date so that businesses could prepare. This caution reflected certain beliefs: that the coalition of support that had brought Labour back to power in 1997 was fragile; that public opinion polling showed the single currency to be an electorally dangerous issue; and that, from the perspective of winning the next election, EMU was an issue that needed to be neutralized. Attentive to electoral advice and the focus groups of Philip Gould, Blair opted for a long game, deferring any decision until after the next election, arguing that the priority was a careful preparation of public opinion, and waiting for the benefits of EMU to become visible. Caution was reinforced by aggressive Euro-sceptic campaigning in influential parts of the British press, and by a poor Labour performance in the European Parliament elections of 1999. The press and leading Conservative politicians seized the initiative in defining the euro as a threat to British identity and interests. Hence very little changed on EMU with the Labour government. There was a new context of a more constructive engagement on Europe – according to Blair, when presenting the Treasury's national changeover plan to Parliament on 23 February 1999, the political issue had been resolved in favour of the principle of joining. But it was offset by an unwillingness to lead public opinion on EMU – with Blair stressing in the same speech that the five tests were to ensure that 'national interest will always come first'.

Whitehall caution was reinforced by dominant economic policy beliefs. The established policy paradigm combined 'sound' money and finances with a 'supply-side' approach to liberalizing goods, services, capital and labour markets. These neo-liberal policy beliefs formed a continuity between the Major and Blair governments. They dated from the Thatcher period and provided a unity of outlooks between academic economics, think tanks, City institutions, the Bank and the Treasury. The key debates were within this paradigm, for instance about the merits and demerits of an external exchange-rate discipline (promoted by Lawson as Chancellor) and a domestic framework for economic stability (argued for by Alan Walters as Thatcher's economic adviser) (Thompson 1996). After the ERM exit in 1992 the victory was won by those advocating a domestic framework. This framework was refined and strengthened by Norman Lamont, Ken-

neth Clarke and Brown as successive Chancellors. The belief that 'credibility is made at home' rather than imported was not conducive to making the case for EMU entry. It spawned a 'wait-and-see' policy on entry that was grounded in the economic rationality of neo-liberalism, not in a *communautaire* attitude.

Domestic economic policy beliefs had a paradoxical effect. On the one hand, the success in putting public finances on a sound footing made Britain an unproblematic candidate for entry (though the exchange-rate criterion posed difficulties). On the other, in continental Europe the greater attachment to the idea of social solidarity went along with a preference for negotiating 'supply-side' reforms, typically in the form of tripartite social pacts (Dyson 2000). In consequence, the Blair government sought to make structural reforms in the Euro-Zone a condition for British entry, stressing that targets and dates were required for action. In particular, labour markets had to be sufficiently flexible for efficient adjustment to asymmetric shocks. British politicians and officials looked to the US for ideas and practices to borrow and sought to export them in their British form (for example welfare-to-work and productivity-boosting measures) to the EU.

This process of US-centric economic policy learning reflected two factors. First, British economics training was very US-focused, especially in terms of literature. Under Brown, the result was a stress on the Treasury's role in micro-economic policies to boost underlying productivity and lower the unemployment rate at which inflation accelerates. US ideas of structural economic reform were seen as most relevant to his most cherished domestic objective – the restoration of full employment. This transmission of policy ideas was facilitated by a less strong indigenous economics' tradition than in France or Germany. It also reflected the fact that many senior Treasury officials – like Andrew Turnbull, Permanent Secretary under Brown – had more IMF than EU experience. But the fact that Italian economics is more US-centred than indigenous – and the Italian Treasury and Bank of Italy have been very *communautaire* – suggests that this factor is of secondary importance.

More important are Whitehall perceptions that the City of London is at the heart of British economic interests and helps define British economic identity as a global player. The City's international competitiveness as a global financial centre has been dependent on emulating the US as the key innovator in financial products. There was no continental model of a global financial centre to match New York. The result was a critical distancing from Europe in defining British interests and identity. This distancing was seen in Britain's isolation over EU proposals for a harmonized taxation of income from savings, inspired by the desire to ensure that the lucrative City bond market did not move 'off-shore'. It was also apparent in Whitehall's opposition to the use of minimum reserve requirements by the ESCB.

This definition of the City's vital role in British interests and identity supported the Treasury's caution on Europe. It deeply affected Treasury

culture by sensitizing it to the power of the global financial markets and the lead role of the US in those markets. Its ministers and officials perceived themselves as operating in a tight space with little room for manoeuvre unless monetary and fiscal discipline was maintained (Lamont 1999). This perception also served as an important tool in Whitehall bargaining, enabling the Treasury to serve as a break on more radical ideas on Europe, notably in the Foreign and Commonwealth Office (FCO) which by 1999 wanted a more positive discourse about the euro's benefits and achievements. The definition of the City's importance also affected the flow and content of policy ideas. The City was the location of the origin of the 'hard' ECU plan. This proposal sought to set EMU in a market-based, demand-led approach (Dyson and Featherstone 1999, pp. 612–31). The ECU would develop as an additional currency, managed so that it became a 'hard' currency, and enabling progress towards EMU to be defined by the market rather than by a Community method of stages, deadlines and institution-building (of the kind proposed in the Delors Report of 1989). The fate of EMU was placed in the hands of consumers and their willingness to support the process. Also, constructive engagement in the EU's preparations for stage 3, like agreeing the legal basis of the euro, could be defended by the Whitehall EMU policy community as a means of promoting the interests of the City (O'Donnell 1996). In this way Euro-sceptic criticisms could be neutralized.

Whitehall culture was formed by a continuing vacuum of political leadership on behalf of European unification, in favour of the assertion of national sovereignty and identity. Seen from the angle of public debate in the press and of public opinion, EMU served as a variable redefining British interests and identity against European unification and eroding the very 'permissive' consensus on European integration that was needed to encourage politicians to be bold in its support. It was also formed by a set of economic policy beliefs that distanced attitudes from the process of EMU as it was defined by the European Council from Madrid in June 1989 onwards. This process involved stages and deadlines, rather than the evolutionary approach favoured by those in Whitehall advocating constructive engagement. In consequence, Europeanization was constructed in a much more limited manner by Whitehall players than their counterparts elsewhere in the EU, even the other 'outs' in 1999.

THE EMU POLICY COMMUNITY

The macro-level structural factors outlined above have powerful effects on the properties of Whitehall culture, specifically on how the key players interact over EMU, how they define and play the EMU game, and how they perceive British interests in that game. Together, they reinforce the properties of a policy community, the players united by a set of core beliefs. These properties are embedded within a more pervasive Whitehall culture that favours unity, loyalty and consensus-seeking. This culture is sustained

by the principle of collective responsibility in a system of cabinet government and by the belief in a non-political career service. In consequence, a paradox emerges. Though EMU is the most deeply divisive issue in British politics, the EMU policy community in Whitehall is one of the most tightly unified. The characteristics of what Heclo and Wildavsky (1974) called the 'private government' of public money can be seen in the private government of EMU.

At a micro-level the EMU policy community has been reconfigured as the issues have changed. On the acutely sensitive issues of negotiating EMU treaty provisions and of the economic and political aspects of British entry it takes the form of a very tight and tiny network of Whitehall players around the Chancellor and the Prime Minister, confined to the very centre of the core executive. They are located within the Treasury (the Second Permanent Secretary Sir Nigel Wicks was the key figure till 2000, followed by Gus O'Donnell); the Bank (Andrew Crockett during the IGC in 1991 and later John Townend as director for Europe); the FCO (Michael Jay in 1991 and Nigel Sheinwald under Robin Cook); the Cabinet Office (David Handley during the IGC and Martin Donnelly in the Blair government); and the UK Permanent Representation (John Kerr in 1991). On substantive issues the Treasury and the Bank have been the leading players, with the others more concerned with wider political aspects of strategy and tactics. Even then, there was little collective discussion in the Treasury. During treaty negotiations there was no attempt to draw in the City (the Bank acted as surrogate) or representatives from employer and banking associations or trade unions.

The EMU policy community was reconfigured and widened once the issues became very practical about preparing the City for using the euro, even if Britain remained outside, and about preparing for British entry to stage 3. Though the Blair government's decision to 'prepare and decide' was a turning point, practical preparations began earlier. By 1996 the circle of participation had widened in the context of preparing negotiating positions on the design of stage 3, notably the legal framework for the use of the euro, and of preparing the City for the single currency. For these purposes City institutions, banking associations and the major international market firms were more fully involved. This change followed the creation of the EMI at the beginning of stage 2 on 1 January 1994. The Bank was determined to be actively involved in the EMI's preparations for stage 3. Recognizing that the 'opt-out' weakened its bargaining power, it saw in City opinion (as the only big international financial centre in the EU) leverage on negotiating outcomes. The Bank argued that what damaged the City harmed Europe and based its positions on the interests of the single market in financial services. In this way the Bank fought against onerous reserve requirements by the ECB as spurring the development of off-shore euro-money markets. It also opposed any discrimination against the banking systems of non-participating countries, especially by ensuring access to

TARGET, the pan-European system for automated, real-time, payment settlement. Later, on the same grounds, it opposed extension of harmonized taxation of income from savings to the City.

With the Bank's encouragement, the City became active from 1996 in preparing the banking and financial system for EMU. Under Townend as Director for Europe the Bank orchestrated City involvement in the practical issues through the Euro Preparation Unit and then the Co-ordination Unit for Europe. The Bank played three roles: ensuring the financial infrastructure was in place, like TARGET, to ensure the City's competitiveness in wholesale euro markets; bringing together the major City firms about market conventions in order to gain a consensus about trading practices; and communicating the results through 'Practical Issues'. Thus the 'Heathrow' Group of key market players was vital in agreeing and enforcing payment conventions through peer pressure. The City was well prepared and able to thrive after 1 January 1999 (Bank of England 1999). Thereafter, the Bank shifted its focus to ensuring that City institutions were on top of the structural changes that followed the introduction of the euro, especially in bond, equity and money markets. The Bank's lead role *vis-à-vis* the financial sector's preparations for British entry was maintained with the City Euro Group, chaired by Townend and with a wide representation from across the City.

Preparation of the National Changeover Plan by the Treasury's Euro Preparations Unit in 1998–99 also involved a new partnership between public and private sectors. Brown established a Standing Committee on Euro Preparations to oversee changeover planning. Here the Bank and the Financial Services Authority were brought together with bodies like the British Bankers Association, the Confederation of British Industry, the British Chambers of Commerce, the British Retail Consortium and the Trade Union Congress. The Treasury established a Project Management Group to monitor and co-ordinate a series of working groups (including the City Euro Group, the Information Group, the Retail Financial Services Group and Public Sector Groups). A key focus became its vanguard role in preparing the public sector.

But, for purposes of EU strategy and tactics, the EMU policy community remained narrow, exclusive and highly secretive. This was true with respect to: monetary, exchange-rate and fiscal policies (for instance, negotiation and implementation of the Stability and Growth Pact); the conditions for entry (including structural economic reforms and convergence); the 'prepare-and-decide' approach; and issues relating to institutional design (like the Euro-Group). Monetary policy issues were defined as a matter for the Bank and involving the idea of credibility, which was the specific professional concern of central bankers with their specialism in handling financial markets. Here the Bank was given a privileged role in negotiating the statutes of the EMI and the ECB and then in preparing the monetary instruments for stage 3. With the granting of independence to the Bank in monetary policy, its

authority in this area was confirmed. Fiscal policy was seen as very much the Treasury's traditional area, the secrecy surrounding it reflecting its political sensitivity. Even more sensitive and therefore secretive was the policy process relating to the conditions of entry. As with fiscal policy, electoral and party management considerations – not least beliefs about electoral behaviour – framed technical deliberations in the EMU policy community. What mattered was not so much the five economic tests – which were largely qualitative and subject to elastic interpretation – as beliefs about public opinion mediated by Philip Gould and others direct to No.10.

An enduring aspect of the EMU policy community was the determination of successive Chancellors – and of Wicks as the lead official – that the Treasury should control the process. The FCO, the Department of Trade and Industry, and the Cabinet Office were kept at arm's length. This strategy rested on the shared belief that the domestic political credibility of EMU policy positions, like whether the five economic tests have been met, depended on the Treasury being seen to be the final arbiter. In turn, the economic tests served to provide the Treasury with an institutional veto role on entry. Treasury strategy also rested on the shared belief that the highly complex technical content of EMU negotiations made the Treasury's leading role, flanked by the Bank, indispensable. These beliefs were not challenged. Hence the EMU policy community was not riven by the intense bureaucratic politics of turf-wars about who should be in control. The FCO saw its role as to make the political case for constructive engagement in EMU and for a more positive discourse about the euro and its benefits in order to lead public opinion on the issue. Equally, successive Foreign Secretaries and FCO officials recognized that an EMU policy would lack political and market credibility without the unequivocal support of the Treasury. Hence the Treasury – careful to keep the Bank on side – was in a pivotal, unchallenged position within the EMU policy community.

The institutional expression of this policy community, and of Treasury control, was the so-called Wicks Committee. This committee evolved over time in response to the changing rhythm and content of the EMU negotiations. It was born to shadow the work of Bank's governor in the Delors Committee in 1988–89. This remit meant that it was limited to Treasury and Bank officials. During this period the balance of power within the Wicks Committee was unusual. Given the peculiar situation that Robin Leigh-Pemberton was serving in a personal capacity in a committee reporting to heads of state and government, the Bank was careful to keep the Treasury at arm's length and to try to ensure that the Treasury did not endeavour to give instructions to the governor (Dyson and Featherstone 1999, pp. 582–88). The Wicks Committee was reconstituted for the Guigou Group, which was set up in autumn 1989 to prepare questions for the forthcoming IGC. As this group included foreign as well as finance ministry officials (Kerr and Wicks for Britain), the Wicks Committee was expanded to include the FCO. Once preparations for the IGC began in earnest, the committee was

further widened to bring in all potentially relevant Whitehall interests. It received a fresh impetus once the EU began detailed preparations for stage 3. As chair of the EC Monetary Committee Wicks enjoyed a significant information and status advantage. This advantage was offset to some extent by the Bank's insider knowledge derived from participation in the EMI. It was also complemented by the role of O'Donnell as the Treasury's representative on the EC Monetary Committee. The Wicks Committee served as a means for Wicks to sound out Whitehall and Bank opinion. Most importantly, it was a means to ensure that others felt that they shared in a collective knowledge about the evolving EMU negotiations, thereby helping to cover Wicks's and later O'Donnell's back in those negotiations.

The EMU policy community had greater difficulties in keeping in touch with the political level, especially the complex and shifting interactions between Chancellor, Foreign Secretary and Prime Minister and the influence of electoral policy advisers. At this level there was much networking, cabaling and intrigue that eluded Wicks and his counterparts. But what was a fixed point of reference was the determination of the Treasury to keep the Foreign Secretary and other ministers at a distance. As we have seen, this determination reflected certain beliefs. The fact that these beliefs were widely shared made it easier for the Treasury to get its way. At this micro-level, other motives also came into play, including personal ambitions, dislikes and rivalries, not to mention an element of pride in Chancellors who did not like to see others getting involved in 'their' business. Brown was determined to keep Peter Mandelson as Secretary of State for Trade and Industry at a distance from EMU, viewing his enthusiasm for early entry and active campaigning on behalf of the euro as dangerous. He insisted on working out the formula and tests for entry in direct bilateral dealings with Blair. Earlier, ERM entry and exit had been bedevilled by cabals and intrigues (Thompson 1996). But what gave significance, meaning and force to these cabals and intrigues was the clash of deeply held beliefs about Europe and about economic policy. Mandelson was prepared to go further than Brown in subordinating the conduct of domestic economic policy to constructive engagement in Europe. With Mandelson out of the way, Cook took on this argument, again causing irritation in the Treasury.

In order to maintain Treasury control over EMU, Chancellors sought to confine EMU policy to bilateral discussions with the Prime Minister. On the other hand, Prime Ministers had their own interests in ensuring that other ministers were kept on board, especially those who might cause trouble inside the party or reveal embarrassing splits to the media. Hence, when EMU came into the orbit of Cabinet, the Treasury sought to ensure that it was routed through the Overseas Policy and Defence Committee (OPD). OPD (Europe) is chaired by the Foreign Secretary; OPD by the Prime Minister. Given the sensitivity of a Prime Minister to the Chancellor, and memories of the breakdown of Thatcher's relations with Lawson, the Prime Minister was a better bet to ensure that Treasury views on EMU prevailed.

Within the Whitehall policy community the EMU game is defined as one of damage-limitation both to ministers' political interests and to Britain's position in the EU. Limiting damage in both areas involves complex tactical manoeuvring, for instance over ERM entry between 1985 and 1990, and the search for carefully crafted legal and policy formulas, including the 'opt-out' clause from stage 3 and the five economic tests for entry into stage 3. They are designed to keep Britain in the larger negotiating game whilst letting ministers off the hook of firm political commitment. For the same reason, Whitehall's internal debates about how to define and promote British interests on EMU were shrouded behind a veil of the strictest secrecy and studied silence. This acute caution and sensitivity was heightened by political tensions at the top – for instance, between Lawson and Thatcher over ERM entry or during the Major government as Clarke sought to contain Major's concessions to appease the ever more strident Euro-sceptics in the Conservative Party. It was also fuelled on the one occasion when the Treasury had a Euro-sceptic Chancellor, Lamont. Lamont's erratic behaviour at Maastricht in December 1991 and at the Bath ECOFIN in September 1992 sent shock waves through the Whitehall EMU policy community (Stephens 1996). It triggered tactical manoeuvring against Lamont, especially from within the FCO.

An additional factor for close unity was cognitive uncertainty about how EMU was to be constructed. This uncertainty was accompanied by a growing recognition, as the the Delors Committee's work neared its end, that the Community method of stages and deadlines would be politically unacceptable in Britain. What emerged was a shared belief in an evolutionary, market-driven approach to EMU. This approach was fleshed out in Lawson's competitive currency plan of 1989 and in the 'hard' ECU plan of 1990 (Dyson and Featherstone 1999, pp. 612–32). Cognitive uncertainty provided a window of opportunity for Paul Richards and Sir Michael Butler, both in City institutions, to carve out a role as policy entrepreneurs on behalf of the 'hard' ECU plan. It offered not just a means of damage-limitation at EU and domestic levels but also scope to redefine what happened in stage 2 of EMU. It also rejected a binding timetable for stage 3 and any hint of compulsion.

Above all, the EMU policy community was united by the belief in constructive engagement. This belief was associated with a pragmatic and utilitarian conception of sovereignty, favouring its sharing or pooling in those instances where it could be demonstrated that power could be more effectively exercised collectively. Its strongest advocate was the FCO, where officials like Kerr articulated a viewpoint that could be traced back through Butler to Sir Michael Palliser (Young 1998). In this view both governments and officials had a treaty obligation to regard the closer union of Europe as Britain's core interest and a requirement of loyal co-operation. Their task was to 'make Europe work' by co-operation. Within the Treasury this belief was represented, albeit more discreetly, by Wicks and O'Donnell. Their

inclination was to attempt to rebuild the political capital lost by tough British negotiating positions by playing an 'honest broker' role in EMU. Relations with EU member states were seen in terms of partnership and mutual aid.

This commitment to constructive engagement surfaced whenever circumstances empowered members of the EMU policy community to introduce new ideas and seek policy change. Butler's policy entrepreneurship for the 'hard' ECU was testament to the hold of this belief on officials. It was an attempt to exploit the opportunity created by the crisis for British policy on EMU created by the Delors report. Similarly, sensing the crisis in Britain's relations with the EU as a consequence of Mrs Thatcher's intransigence at the Rome 1 European Council in 1990, Wicks sought to use the opportunity of a new Prime Minister to propose that the 'hard' ECU be linked to a commitment to show how it could lead to stage 3 (rather than serve as a diversion from that objective). In that way British negotiators in the impending IGC on EMU would be in a stronger position to build coalitions on the issues that mattered to her interests and shape final outcomes. When this effort at policy entrepreneurship proved abortive, and faced with a 'hard' ECU plan that lacked credibility with other negotiators, Wicks attempted to play an honest broker role in the IGC in order to restore British negotiating capital after Mrs Thatcher and after a British ERM entry in October 1990, which had been seen by others as high-handed and left a residue of resentment (Stephens 1996, p. 173). As leading official negotiator, he alternated between a strong, clear presentation of British positions on no compulsion in relation to stage 3, and on keeping stage 2 as an empty shell, with a constructive role in facilitating agreement on other issues, like the convergence criteria. Wicks was rewarded with election and re-election as chair of the EC Monetary Committee during the critical period of negotiating the transition to stage 3 – despite the clear evidence that the British government was intent on using its opt-out.

THE TREASURY AS INSTITUTIONAL VETO PLAYER

The EMU policy community's definition of constructive engagement was hedged in various ways. First, the players subscribed to certain causal beliefs about how a viable EMU was to be constructed that put them in opposition to the way in which the mechanism for realizing EMU was defined in the Delors report and in the Maastricht Treaty (Taylor 1995). Similar reservations did not apply to the Stability and Growth Pact's stipulation of balanced budgets over the economic cycle as a whole. There was not a problem of submitting to an external fiscal discipline when, domestically, that discipline was accepted as self-binding (O'Donnell 1996). But members of the Whitehall EMU policy community, and City opinion, were united in their scepticism about what was being proposed at the EU level. This scepticism was not about EMU *per se* as an objective but about an institution-building approach and about whether convergence would be

sustainable. Convergence was understood to mean not just meeting certain criteria but creating the conditions to ensure that they continued to be fulfilled in stage 3. There seemed good grounds for believing that the Dutch and the Germans would identify with this British argument. They shared the neo-liberal argument that the only sound basis for a viable EMU was prior achievement of a firm basis of economic stability and structural economic reforms at home. Domestic reforms should precede EMU rather than accompany it or follow it if danger was to be averted. The perception that the French, Belgians, Italians and others had not put their houses in order generated serious doubts within the EMU policy community. These doubts did not depend on a Euro-sceptic position. In the IGC on EMU in 1991 the Dutch and Germans proved reliable supporters of Britain in pressing this argument.

But the constructive engagement of the Whitehall EMU policy community was further qualified by how the negotiating process evolved from 1991. At Maastricht, Kohl and Mitterrand pursued the political argument for making EMU 'irreversible', agreeing to a fixed, final date for stage 3. The Whitehall argument for a voluntary and conditional 'opt-in' for all was lost, and the position salvaged by an elaborately and painfully negotiated 'opt-out' for Britain. For the EMU policy community the only sensible strategy consistent with dominant beliefs was 'wait and see'. This strategy was attractive in offering continuing British influence when, after the ERM crises of 1992–93, it seemed that stage 3 was not going to happen in 1999. Once it was clear that stage 3 was on track, the formula was modified in 1997–98 to 'prepare and decide', and the Treasury set to work on a national conversion plan. Despite this shift of nuance, by setting its own economic tests the British government was reaffirming its commitment to conditionality and a cautious evolutionary approach. Blair continued to reject calls from business leaders, notably the CBI, for a precise date for entry.

An additional factor qualifying constructive engagement emerged after 1993, as Germany was increasingly perceived to be part of the EMU problem rather than the solution. Low growth and rising unemployment suggested that Germany required urgent structural reforms. But by 1997 it was clear that a domestic 'reform blockade' was sabotaging the economic dynamism of Europe's most powerful economy. Consequently, the centre of cognitive attraction shifted to the high-performing US economy. This factor coincided with the new Labour government. It helps explain why the constructive engagement of Brown and Blair yielded so little on EMU. The heart of the Euro-Zone economy needed radical structural reforms before Britain could safely consider entry. Hence British interest was defined as pressing for urgent structural reforms. The British Presidency of the EU in 1998 was used for this purpose, producing the 'Cardiff process' of national reports on structural reform. The Blair government also sought to promote this agenda at the special Lisbon European Council in 2000.

In addition, constructive engagement of the Whitehall EMU policy com-

munity had to be defined in such a way as to neutralize the argument employed by Euro-sceptics that EMU's viability depended on an overarching framework of political union. This argument was first deployed by Lawson in January 1989 (Dyson 1994, p. 1). In his view, a monetary union required a centralization of fiscal authority, a United States of Europe. This argument was pursued by Euro-sceptics in and outside the Conservative Party. EMU was defined as about the loss of national identity as it moved political power away from Westminster. As Chancellor, Clarke echoed more closely the views inside the Whitehall policy community. EMU depended for its viability on a political consensus about economic stability. Wicks (1999) argued that this consensus did not require a centralization of political authority, with an 'economic government' at the EU level. EMU would unleash a process of competition in economic policies. Those national policies that were demonstrably effective in tackling growth and employment problems would be disseminated more widely. The new political dynamics unleashed by EMU would operate on a basis of voluntarism. Consistent with not giving hostages to Euro-sceptic opinion, the EMU policy community focused on getting Blair to take a tough line at the Luxembourg European Council of December 1997 on ensuring that the new Euro-Group was confined to an advisory and consultative role.

A further factor was the limited Europeanization within the Treasury. This factor mattered because of the Treasury's controlling position within the EMU policy community. It also created something of an identity problem for the few Treasury officials, notably Wicks, O'Donnell and Jonathan Taylor, who were actively involved in the cross-national EMU policy network. Its institutional hub was the EC Monetary Committee before 1999 and then the Economic and Financial Committee. This cross-national network also had the attributes of a policy community, based on a shared 'sound' money and finance paradigm and shared sense of responsibility, first for managing the ERM, then for preparing stage 3 (here Wicks was a key player as chair of the EC Monetary Committee), and finally for making the euro work. A collective ethos was imparted by their obligation to develop proposals acceptable to the Council as a whole. As part of this common culture, Wicks, O'Donnell and others were disposed to play an 'honest broker' role. The interactions and personal intimacy within this cross-national policy community were intensified by bilateral meetings, ECOFIN meetings and fora like G-7, the IMF and the OECD. Wicks, O'Donnell and Taylor had to manoeuvre between the dominant Treasury culture, which had been aloof from Europe, and intense interactivity with their EU counterparts. Traditionally, European and international work had been seen as a separate function. Those doing it experienced influence within this small game but not in the big game at home. The problem was a weak linkage between the Economic and Financial Committee and the work of the Treasury. This problem was reduced. An attempt was made to better connect European and domestic work under Clarke by appointing O'Don-

nell who worked on domestic monetary policy as Treasury representative on the EC Monetary Committee. O'Donnell continued in that role as head of the directorate for macro-economic policy under Brown. Then, on Wicks' retirement in 2000, O'Donnell took over his work to head up a new directorate for macro-economic policy and international finance. The domestic and international sides were now more formally co-ordinated. But the question of how closely integrated Ed Balls as Chief Economic Adviser would be into the new arrangements remained unclear.

The limited Europeanization of the Treasury had something to do with a Treasury culture formed by the legacy of post-war policy focusing on the IMF in Washington and a consequent exposure to US ideas. Treasury opinion on the economic consequences of EC entry in 1972–73 and of later moves to deepen integration had tended to be negative (Young 1998, p. 225). But there was also an organizational factor that meant that the very top official level of the Treasury had not been exposed to socializing impacts from engagement in EU fora. In other EU states the top official in the finance ministry was active in the EC Monetary Committee/Economic and Financial Committee and in ECOFIN. The internal organizational level of involvement had been different in the Treasury. As head of the directorate for international finance, Wicks had more specialized functions and greater difficulties in disseminating European perspectives within the work of the Treasury. To compound the problem, Peter Middleton – Permanent Secretary under Lawson – and Terry Burns – under Lamont and Clarke – were Euro-sceptics. They harked back to earlier Euro-sceptic Permanent Secretaries, like Sir Douglas Allen. Turnbull under Brown, and Balls as Chief Economic Adviser, were less sceptical. But they fitted into a Treasury culture moulded by Anglo-American economics. They were also not directly involved in the socializing impacts of direct involvement in the EMU process. From an EMU perspective the problem was that the Treasury's internal arrangements left powerful figures doing just domestic work.

Hence internal Treasury debates about fiscal, exchange-rate and other policies were only limitedly Europeanized. They took account of EMU as a set of external constraints. Missing was a more subtle, indirect process of Europeanization, involving socialization effects and internalization of EU norms and shaping domestic policy outcomes. Despite the formula of 'prepare and decide', the Treasury hesitated to take fiscal measures to prepare the structure of British finance for entry (for example in the housing market). It did not prioritize an exchange-rate policy consistent with early entry. There was no attempt at a discretionary fiscal tightening that would enable the Bank to lower interest rates towards ECB levels. Such a tightening invited conflict with prevailing beliefs amongst the government's own supporters and even greater unpopularity of the euro.

The Treasury remained less Europeanized than the Bank and the FCO. Following reorganization under Eddie George the Bank's international and European side was merged into its operating functions, so that Europe was

represented in all aspects of its work. The Bank had been comprehensively involved in preparing the City for the euro and managing relations with the EMI and later the ECB. Its governor was active in these fora as well as meeting EU colleagues in other international fora. Hence he was subjected to powerful socializing effects. George was more of a Euro-sceptic than Leigh-Pemberton. But he remained the loyal player in a cross-national central bankers' 'club'. At the FCO, Kerr's presence as Permanent Secretary under Cook was a guarantee of a strong input on EMU. Kerr had been involved with the Whitehall EMU policy community since 1989 (the Guigou Group) and with the ERM issue earlier, as well as a negotiator alongside Wicks in the IGC. Hence, like Butler earlier, he was more prepared to challenge Treasury thinking than is typical for FCO officials.

CONCLUSIONS

Three main themes have emerged. First, the article underlines the importance of the wider structure of beliefs for understanding the properties of the Whitehall EMU policy community. These beliefs have constitutive effects on behaviour. They also help us to understand patterns of co-operation and conflict and why the Treasury has emerged as an institutional veto player on EMU. Secondly, EMU is a case study of how Europeanization is constructed differently within Whitehall. The Treasury is much less Europeanized in outlook than either the Bank or the FCO and very cautious on EMU. Thirdly, a constructivist approach draws out the very different structure of political discourse about EMU in Whitehall and the public arena from other EU states. Historical memory combined with neo-liberal economic policy beliefs to form a cautious and defensive constructive engagement within Whitehall.

The lack of Europeanization is not attributable to an innate conservatism in Whitehall. Crucially, EMU did not require a paradigm change in domestic economic policy, of the kind seen in France, Italy, and elsewhere. Britain had a thorough-going economic policy revolution independent of EMU. Officials had little extra to gain by seeking to subject domestic politics and policy to this discipline. Domestic discipline was further strengthened when the incoming Labour government gave the Bank monetary-policy independence. In doing so it denied the connection to stage 3 entry. In short, EMU did not mobilize key economic policy officials as an opportunity to radically restructure domestic policy and empower a coalition for domestic reform. It lacked such an instrumental value for the Treasury. Hence Whitehall officials had a different experience of EMU from their French and other counterparts.

The Treasury's role as institutional veto player shaped the Blair government's political strategy for EMU. This strategy rested on a linkage between the Treasury's agenda of structural economic reforms for the EU (Cardiff, Lisbon) and the content of its five economic tests with political planning for setting an eventual decision for entry within a positive campaign about

the EU's strengths and the euro's practical success and benefits. 'Prepare and decide' and structural economic reforms were part of a larger strategy for leading public opinion when an appropriate window of opportunity emerged. But such a campaign depended on the Treasury providing the appropriate conditions, and the question remained of whether its internal arrangements would lead to prioritization of these conditions in domestic policy. In the dispute about timing of government efforts to lead opinion on the benefits of the euro the Treasury was the most cautious. That caution had to do with more than just beliefs about the lack of a permissive consensus at the level of public opinion; that belief was shared. It reflected the lack of Europeanization of the Treasury compared to other Whitehall players and its veto position.

REFERENCES

- Balls, E 1998. 'How openness could help the European Bank', *The Independent* 1 June
- Bank of England. 1999. *Practical issues arising from the Euro*. Issue 12 London
- Craddock, P 1997. *In pursuit of British interests*. London: Murray
- Denman, R. 1996. *Missed chances* London: Cassell.
- Dyson, K 1994. *Elusive union: the process of economic and monetary union in Europe* Harlow: Longman.
- K 2000 *The politics of the Euro-zone* Oxford: Oxford University Press
- Dyson, K (ed.) (forthcoming). *European states and the euro*. Oxford: Oxford University Press.
- Dyson, K and K. Featherstone 1999. *The road to Maastricht* Oxford: Oxford University Press.
- Heclo, H and A Wildavsky. 1974 *The private government of public money* London: Macmillan
- Hogg S and J Hill 1995 *Too close to call*. London: Little, Brown
- Lamont, N 1999. *In office* London: Little, Brown
- O'Donnell, G 1996. 'Minutes of evidence' in Select Committee on the European Communities, *Preparations for EMU* House of Lords 2nd Report. London: HMSO
- Stephens, P 1996 *The politics of the pound* London: Macmillan
- Taylor, C 1995 'The UK and EMU', pp v-x in D Currie and J. Whitley (eds.), *EMU after Maastricht* London: Lothian Foundation
- Thompson, H. 1996 *The British Conservative government and the European Exchange Rate Mechanism, 1979-1994* London: Pinter.
- Wendt, A 1999 *Social theory of international politics* Cambridge: Cambridge University Press
- Wicks, N 1999. *Will EMU lead to European economic government?* London: Centre for European Reform
- Young, H 1998 *This blessed plot* London: Macmillan

Date received 25 February 1999. Date accepted 22 May 2000.



LOCAL GOVERNMENT MODERNIZATION IN GERMANY: BETWEEN INCREMENTALISM AND REFORM WAVES

HELLMUT WOLLMANN

In taking a historical-institutionalist approach, this paper looks at the development of administrative reforms in German local government which, because of the comparatively high degree of political and administrative decentralization of the Federal Republic has played a crucial role in the latter's entire politico-administrative setting and, hence, in its institutional reforms. The paper mainly identifies three stages in the post-war development of administrative reforms. During the 'planning movement' of the late 1960s and early 1970s, Germany's local level government and administration underwent significant and, to a considerable degree, lasting institutional changes. The 1980s were a period of incrementalist adaptation. Since the beginning of the 1990s, conspicuously later than in the Anglo-Saxon and Scandinavian countries, but earlier and faster than the federal and the L nder levels, Germany's local government has embarked upon dramatic changes particularly on two scores. First, in a growing number of municipalities and counties, *administrative* modernization was incorporated under the heading of a 'New Steering Model' (NSM) that largely drew on the dominant international New Public Management (NPM) debate. The dynamics of the ongoing *administrative* reforms are marked by an 'amalgamation' of NPM/NSM and earlier ('traditional') reform concepts. Secondly, at the same time, the *political* institutions of local government have undergone a significant shift as a result of the introduction of *direct democratic* procedures (direct election of mayors and heads of counties, binding local referenda). The paper argues that it is this co-incidence and co-evolution of administrative and political reforms that make for the peculiarity of Germany's current modernization trajectory, distinguishing it from the Anglo-Saxon and, to a lesser degree, from the Scandinavian modernization paths.

INTRODUCTORY REMARKS

In recent writing by foreign observers public sector modernization in Germany during the past twenty years has been perceived, from an internationally comparative perspective, as a divergent, if not deviant case. In a comparative overview which concentrated on central government level development, Michael Barzelay concluded that, by contrast with Anglo-Saxon, and also Scandinavian countries, 'Germany in the 1980s and 1990s is not a case of comprehensive public management policy change' (Barzelay 2000, p. 85). In comparing local government modernization over the past two decades in the Netherlands and in Germany, Frank Hendriks and

Hellmut Wollmann is Professor at the Humboldt-Universit t zu Berlin Institut f r Sozialwissenschaften Politikwissenschaft.

Public Administration Vol 78 No. 4, 2000 (915-936)
  Blackwell Publishers Ltd. 2000, 108 Cowley Road
Malden, MA 02148, USA.

  Blackwell Publishers Ltd 2000

Pieter Tops noted significantly different, yet 'intersecting reform trends' (Henriks and Tops 1999, p. 133 ff.).

In this article an attempt will be made to shed some more light on the course and pattern of public sector modernization in Germany and the factors that have been shaping it (Benz and Goetz 1996; Derlien 1996; Löffler 1997; Wollmann 1997; Schröter and Wollmann 1997; Pollitt and Bouckaert 2000, p. 235 ff). In identifying the degree of convergence with or divergence from other major countries, the German case will be put into a comparative perspective.

- The paper will focus on the local government level which promises to be particularly instructive in the German case, as local government plays a key functional role in Germany's federal and comparatively decentralized fabric (Wollmann 2000c, 2000d). As to employing the term (local) '*government*' in this article a *caveat* needs to be made. In Anglo-American usage the term government denotes the body of political and administrative institutions (with some political overtone) on the central as well as regional/local levels. By contrast, in German usage *Regierung* (which is the closest equivalent to *government*) refers to the executive institutions (particularly ministries) on the federal/central and the federal States (*Länder*) levels. Because of related historical, conceptual (legal doctrine) and terminological reasons, one traditionally speaks of 'local self-administration' (*kommunale Selbstverwaltung*). In order to communicate more easily to the reader familiar with Anglo-American terminology in this article – note the *caveat* – the term 'local self-government' will be used.
- In treating local government modernization both the political and administrative institutions will be dealt with.

Institutional change and modernization can be conceived as a sequence of decisions on *institutional choice* (methodologically speaking, as *dependent variables*) which are taken by the relevant actors in the pertinent policy *discourses* and decision-making arenas.

In trying to explain the institutional choices and changes a *historical institutionalist* framework (Peters, p. 1996, p. 210 f.) will be used in which, as *explanatory variables*, the following factors are assumed as being particularly influential:

- the international policy and modernization discourse;
- the socio-economic and/or budgetary problems pressure;
- the institutional/State/administrative tradition and 'legacies';
- and policy goals and interests of the political and administrative élites.

In pursuance of its explicitly *historical (over time)* approach the article will distinguish four stages.

In the first section, some basic features of Germany's local government

system will be sketched, as it (re-)emerged after 1945 and marked the *initial state* and *starting point* for the institutional reforms to come.

Then, three phases (congruent, *inter alia*, with Derlien 1996; Baldersheim 1996; Wollmann 1996a; Bönker and Wollmann 1996) can be discerned:

- the 1960s and the early 1970s as the period of advanced welfare state policies;
- the 1980s as the period of budgetary retrenchment policies;
- the period since the early 1990s.

1 REBUILDING THE POLITICAL AND ADMINISTRATIVE STRUCTURES OF LOCAL GOVERNMENT AFTER 1945

Whereas, after the defeat of Nazi Germany, in restoring a democratic system in the three Western Occupational Zones the boundaries of the new federal States (*Länder*) were territorially almost completely redrawn and the Federal Republic was created, in 1949, as a new West German State with Bonn as its new capital and the institutional *macro* structures of the post-war republic were significantly remoulded, the local level exhibited a great degree of institutional continuity both in its intergovernmental setting and its internal organization, as it largely followed the blueprint of the political and administrative institutions that already existed during the inter-war years, prior to the Nazi seizure of power in 1933, during the inter-war years and, to a considerable extent, dated back, in an almost 'path-dependent' persistence, to the nineteenth century (Hesse 1990, p. 359; Wollmann 2000a, 2000c).

- In line with Germany's constitutional history, the Federal Republic was established under the Federal Constitution of 1949 as a two-layer federal system consisting of the federal and of the *Länder* levels, while the municipalities (*Gemeinden*) and counties (*Kreise*) continued to be regarded by constitutional law and under the traditional legal doctrine as constituent parts of the *Länder* and thus creatures of the *Länder*. Therefore, crucial institutional parameters for the operation of local government (such as the territorial boundaries, the municipal charters etc.) are set by the *Länder*.
- On the other hand, in conformity with a constitutional tradition dating back to the early nineteenth century, the municipalities (*Gemeinden*) and (to a somewhat lesser degree) also the counties (*Kreise*) have the right, under the traditional general competence clause laid down in article 28 of the Federal Constitution of 1949, 'to decide all matters of the local community (*örtliche Gemeinschaft*) in their own responsibility in the frame of the existing law'. Within their local autonomy (*kommunale Selbstverwaltung*, literally translated: local self-administration), the municipalities (and counties) traditionally carry out a wide gamut of local tasks which, *inter alia*, comprise the delivery (and financing) of social assistance, local land-use and physical plan-

ning and infrastructural provisions. The right to decide, on its own, the questions of the (internal) organization (and modernization) of local administration has traditionally been regarded and respected as an essential feature of local-level autonomy (*Organisationshoheit*) which is seen as largely ruling out federal and Länder interference in these (intra-) organizational matters and has given the organizational development of local administration a bottom-up and pluriform rather than a centrally shaped and uniform profile.

- Again linking up with an administrative tradition which was introduced in the nineteenth century and constitutes a characteristic element of the German-Austrian administrative and municipal tradition (Wollmann 2000a, p. 46; Marcou and Verebelyi 1993, p. 79f.), the counties and municipalities (particularly the 'county-exempt' municipalities, *kreisfreie Städte*) have continued, after 1945, to operate under the traditional *double function model* according to which they are put in charge of carrying out State administrative tasks *delegated* to them (*übertragene Aufgaben*), as well as attending to their local self-government responsibilities. Different from local self-government matters proper, with regard to which the supervision by the State (that is, primarily Länder) authorities is restricted to a *legality* review (*Rechtsaufsicht*), local administration is subject, in discharging the delegated matters, to a comprehensive and substantive ('merits') control (*Fachaufsicht*) by the State authorities. The traditional *double function model* through which the conduct of local government matters and delegated State tasks is, thus, administratively *fused* or *integrated* by local administration (see Wollmann 2000c, p. 124 ff. for further references) has ambivalent implications for the operation of local government. On the one hand, the delegation of state matters may tend to draw its entire activities, including the local autonomy matters, into the orbit of the State and, as it were, to 'state-lise' (*verstaatlichen*) it. On the other, by institutionally embedding the conduct of delegated State tasks in the local context and by exposing it to the local political environment, such delegated State business may get somewhat 'municipalized' (*kommunalisieren*).

Owing to the combination and accumulation, under the *double function model*, of local self-government and of delegated State matters (which makes them, *inter alia*, implement 75 per cent and more of federal and Länder legislation and handle two-thirds of public capital expenditures), local government has a functional importance in Germany which probably is significantly larger than in any other (West) European country. (It is this salient *functional* status of Germany's local government that led observers to classify it among the 'North and Middle European' type, for example Hesse and Sharpe (1990, p. 607) distinguish the 'North and Middle European' from the 'Anglo' and the 'Franco' models. More specifically, one might

even identify the peculiar *double function model*, as a 'German-Austrian' model (Wollmann 2000a, p. 51f.)

- As a conspicuous exception to this remarkably wide scope of administrative responsibilities of local authorities, the delivery of social services, under the principle of *subsidiarity* hailing from the late nineteenth century, has been traditionally carried out, to a considerable extent, by non-public not-for-profit (welfare) organizations (*freie Wohlfahrtsverbände*). This principle (which was taken up and reinforced by the Federal Social Assistance Act of 1961) marks an important difference from the UK and from the Scandinavian countries where social services have been delivered predominantly by the municipal personnel proper (Bönker and Wollmann 1996, 2000).
- In the immediate post-war years, a professional debate came up, under the somewhat peculiar term 'simplification of administration' (*Verwaltungsvereinfachung*), about making public administration (today one would say) 'leaner' and more efficient. Indicatively, in 1949, an institution was founded and funded by the municipalities that was meant to consult them in organizational matters. Under the programmatic, albeit linguistically somewhat twisted label 'Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung' ('Joint Agency of Local Governments for simplification of administration') and abbreviated acronym *KGSt*, it has come to exert extraordinary influence on the institutional development of local government. Yet, perhaps because of the enormous problem-load which overwhelmed public administration during those years, the early and incipient debate did not usher in any more far-reaching reforms. Municipal administration continued, not least under the influence of *KGSt*, to be marked by the internal hierarchical organization with narrow control spans and paralleling sectorial (*Fachaufgaben*) and cross-cutting units (*Querschnittsaufgaben*, particularly on organization, personnel and budget). In sum, public/municipal administration continued to be shaped by the traditional *hierarchical* and *legal rule-bound* premises of a (*Max Weberian*) bureaucracy.
- In restoring local democracy after 1945, the first municipal charters which were enacted by the new (West German) Lander (and which bore the strong handwriting of the Occupational Forces) gave preponderance to the principles of representative democracy in stipulating elected local councils and (with the exception of Land Baden-Württemberg) not providing for local referendums. With regard to the executive function of local administration, most Länder introduced the mayor as the monocratic head of local administration, with the exception of the Länder of the British Occupational Zone (particularly, Nordrhein-Westfalen) which installed a variant of the British *government by committee*. In most Länder the mayor was elected by the council

(in a local version of the parliamentary system), whereas in two Länder (that is, Baden-Württemberg and Bayern, both situated in the American Occupational Zone and leaning on the US strong mayor model) direct election of the mayor was put in place, in a kind of local presidential system (Knemeyer 1999; Wollmann 2000a, p. 49 f.).

It was in this political and administrative setting, in the immediate aftermath of the War, that the municipalities and counties went about tackling the unprecedented problems of massive inner-city destruction, economic and infrastructural disruption and millions of shelter-seeking refugees pouring in from the Eastern provinces. This, as it were, heroic period of local government, no doubt, contributed significantly to eliciting and confirming a strong confidence, among local practitioners, in the problem-solving capacity and viability of the existing (traditional) administrative model.

2 REFORM WAVE OF THE LATE 1960s AND EARLY 1970s

Although, throughout the 1950s and well into the 1960s, the development of West Germany's local government system exhibited a pattern of institutional continuity along the institutional corridor embarked upon from 1945, it has been profoundly remoulded since the late 1960s (Wollmann 1997, p. 82, Schröter and Wollmann 1997, p. 188).

During the 1960s, a policy and discourse of modernization gained momentum in the international discourse arena which hinged on the (Social Democratic) concept of a pro-active and interventionist welfare state geared to (Neo-Keynesian) business cycle management as well as to expansive social and infrastructural policies. As a conceptual twin, a (rationalist) policy-making model was advocated in which the problem-solving capacities of the advanced welfare state were to be improved by the employment of planning and evaluation concepts and by profoundly modernizing government and administration. In the Federal Republic of Germany the overture to the new policy and modernization discourse was prompted by a mounting problem awareness ('end of the post-war reconstruction period') and was politically propelled when, in 1969, the reform-oriented Social Democrats came to lead the federal government. In fact, West Germany was probably among the European front-runners in this round of large-scale institutional reform policy. (Indicatively the Federal Republic of Germany was, besides Sweden, a European front-runner in introducing *evaluation* as a standard operation into policy making (Levine 1981; Wagner and Wollmann 1986; Derlien 1990) and probably ventured furthest among European countries into social experimentation as an instrument of rationalist policy making.) At the same time, the emergence of countless local citizen initiatives (*Bürgerinitiativen*) claiming participation in public planning and decision-making processes and the upsurge of social movements amounted to a downright participatory revolution which has brought about a deep change in post-war Germany's political culture.

Powerful levers for local government modernization were on the one hand, set, by the *federal* and *Länder* levels.

- In order to improve the administrative efficiency and planning capacity of the municipalities and counties the *Länder*, between the mid-1960s and early 1970s, proceeded to drastically redraw the boundaries of the municipalities and counties via large-scale (and often conflict-ridden) *territorial reforms* and amalgamation which deeply remoulded the territorial format of local government. In doing so, most *Länder* followed the 'North European' pattern (with large-scale amalgamation) rather than the 'South European' one (with small-scale, or no amalgamation). Thus, with significant differences between the *Länder*, the number of municipalities was, in total, cut from 24,000 to some 8,400 and that of the counties from 425 to 237, (Laux 1999; and Wollmann 2000a for internationally comparative data. For the distinction between the 'North European' and the 'South European type' of territorial reform see Baldersheim *et al.* 1996, p. 25 f.; Norton 1994; Marcou and Verebelyi 1993, p. 382).
- In moving into new or expanding policies (such as in social policy, urban renewal, public transportation) in the pursuit of the advanced welfare state and by involving the local government level in the implementation of such expansive policies, the federal and the *Länder* governments prompted the municipalities and the counties to create new institutional and personnel resources adept at coping with the new tasks.
- With the aim of *professionalizing* the municipal personnel the *Länder*, in the late 1960s, established vocational training colleges (*Fachhochschulen*) which, figuring below the university level, were meant to particularly train future local employees of the *upper middle – gehoben –* administrative career echelon which plays a key role in local administration.
- Except for some new provisions, in federal legislation, on (advisory) citizen participation in planning procedures (such as in the municipalities' land-use and physical planning), the federal and *Länder* legislation conspicuously refrained from complementing the hitherto prevalent representative democratic institutions by direct democratic procedures.

On the other hand, the municipalities and counties, within their broad scope of autonomy and discretion in internal reorganization, embarked upon large-scale organizational changes.

- The message of modernizing policy making and administration by introducing *planning* and *evaluation* was taken up on the local level, particularly in the major cities, perhaps more intensely than on the upper government levels. By establishing new administrative units for city development planning (*Stadtentwicklungsplanung*) and by producing elaborate development plans many cities were eager to turn (development) planning into a key institutional and procedural policy

instrument. In a similar vein, indicator-based evaluation feed-backs were initiated.

- In response to the new policy fields new local administrative units were created and new (freshly professionalized) personnel recruited.
- Such recruitment of new cohorts of (professional) personnel elicited sectorial policy networks that came to act as change agents for sectorial reforms (for instance, in social administration, environmental protection).
- Responding to the mounting pressure from citizen groups and local social movements and within the new federal legislation on (advisory) citizen participation, local planning underwent significant procedural and cultural changes.

These few clues should suffice to drive home the point that since the mid-1960s Germany's local government system was seized by a conspicuous wave of institutional (as well as cognitive) changes. While falling in line with the international discourse and trend, it has probably brought about deeper shifts in local-level government during this period than in most other European countries. (The otherwise penetrating comparative treatise by Hendriks and Tops 1999 on local government modernization in the Netherlands and in Germany focuses on, and is restricted to, developments since the 1980s, thus leaving out the – in this interpretation – crucial 1960s and 1970s.)

Yet, the heydays and crest of the reform wave was short-lived, since, setting in with the first oil price hike of 1973, the Western capitalist economies slid into a lasting recession which threw the countries into mounting budgetary woes and quenched the reform mood. In the Federal Republic, too, the planning euphoria and pro-active reform optimism gave way to planning and reform scepticism and re-active crisis management. As a result, on the local level, many reform projects were sized down or even phased out (Wollmann 1997, 83 pp.).

Although the reform drive thus lost much of its momentum, there can be no doubt that it has left lasting modernizing traces in the institutions and procedures as well as in the attitudes and skills of the personnel of local administration, particularly by ushering in and sustaining an (albeit incrementalist and fragmented) process of further institutional adaptation and learning for a number of reasons.

- The decentralist and 'bottom up' feature of internal modernization in German local government makes, on the one hand, for a higher degree of local pluriformity, insularity and incrementalist adaptation than may be the case in countries like the UK where internal reorganization of local government has been, to a large degree, mandated top-down by central government. On the other hand, such a decentralist pattern gives the institutional adaptation and learning process a firmer local institutional and cognitive footing and persistence than in a centralist

setting where the local activities may wane, once the central level intervention subsides.

As sector-specific reformist policy communities got institutionally entrenched in the newly created sectorial administrative units, their reform project had an institutional survival chance under worsening external conditions. (It should be noted, however, that some disagreement reigns among German observers as to the salience and long-term impact of this reform period on public sector modernization in Germany. Particularly those who have been prominent advocates of New Public Management-guided modernization take a more sceptical view on the size and lasting effects of the reforms of the 1960s and 1970s (Reichard 1997, p. 51; Naschold 1995, p. 65).

Furthermore, it must be added, that, notwithstanding the significant changes and lasting traces brought about by the reform period, German public administration continued to be characterized by some basic features deeply rooted, with a path-dependent persistence, in the German administrative tradition.

- The dominant legalism continued to give rule compliance priority over efficiency.
- The hierarchical bureaucratic model ensured intra-organizational central and vertical control rather than decentralized discretion and flexibility, and was by and large imbued with the 'Max Weberian' bureaucratic spirit.
- The traditional civil service system (*Berufsbeamtentum*) with its built-in immobilism and performance disincentives remained largely untouched.

3 INCREMENTAL CHANGES IN THE 1980s

Since the mid-1970s, the socio-economic, financial and political contexts of public sector modernization changed dramatically in most OECD countries, as the first oil price hike of 1973 triggered a deepening economic recession and an ensuing budgetary crisis throughout the OECD countries. The international modernization discourse was increasingly dominated by concepts which, under the somewhat amorphous heading *New Public Management*, aim at transferring the principles of private sector *managerialism* to public sector modernization. While the NPM message has become the guideline for far-reaching public sector modernization particularly in Anglo-Saxon countries, i.e. the UK, New Zealand and Australia, it has been advocated by influential international organizations, such as The World Bank and OECD, as a landmark and beacon for public sector modernization worldwide (Hood 1995, p. 104 f.).

By contrast, in Germany the discourse and practice of public sector modernization remained during this period conspicuously unimpressed by the internationally dominant NPM debate – for a number of reasons (Wollmann 1996, p. 19, Schröter and Wollmann 1997, pp. 190–1).

- The reform discourse was still shaped (and shielded against an easy penetration by NPM) by the widely shared view that the German administration performed, by international standards, comparatively well, at least with regard to the legality, professionalism and reliability of its activities.
- Little novelty was seen in some crucial concepts of NPM, for instance in *outsourcing* and (*compulsory*) *competitive tendering* of social service delivery, as they appeared to be already in place in German local administration, for example, through the subsidiarity principle (Hendriks and Tops 1999, p. 147).
- An easy access of the NPM message to the German modernization discourse was additionally impeded by a mind-frame in which, probably typical of Continental European and certainly of German traditional thinking, the State is seen as an entity standing conceptually, if not philosophically, as well as institutionally quite distinct from *Society* – unlike the ‘state-less’ Anglo-Saxon political and administrative tradition where the borderline between the public and the private sectors is conceptually much more fluid (Dyson 1980). While in the Anglo-Saxon world the modernization discourse, thus, has had no difficulty in applying private sector managerialism to the public sector, the cognitive and ideological obstacles to such a transfer have been much higher in the German case (König and Füchtner 1998, p. 9).

Thus the discourse on public sector modernization in Germany largely ignored the internationally dominant NPM debate, and public sector modernization was pursued particularly at the local level and at an incrementalist pace and rate which, after the reformist tidal wave of the 1960s and 1970s receded, seemed embedded in and carried on in a continuous, albeit locally fragmented learning process, mainly along two strands.

- Reacting to the financial squeeze and to the ensuing pressure for budgetary retrenchment the local governments took to efficiency-raising and cost-cutting strategies. Among these the instrument of ‘task scrutiny’ (*Aufgabenkritik*) was writ large which, designed and propagated by KGSt, was to x-ray the local government tasks, through a kind of cost-benefit-analysis, both on their substantive merits and on their implementation.
- Linking up with the participatory strand of the previous reform period, the citizen-oriented accessibility (*Bürgerernähe*) of local administration was to be improved (Grunow 1988) through the creation of ‘citizen centres’ (*Bürgerhäuser*) (Kissler *et al.* 1993).

This account and interpretation of German local government modernization in the 1980s differs from the one submitted by Hendriks and Tops 1999 in some (important) points. (a) In this interpretation, the major conceptual and institutional changes were initiated in the 1960s and 1970s (which Hendriks and Tops almost entirely leave out in their analysis), while the

institutional development in the 1980s was incrementalist and adaptive. (b) While we agree with Hendriks and Tops that the participatory wave (in terms of citizen initiatives, social movements, self-help groups, etc.) was still in full swing during the 1980s (and probably more pronounced than in most other European countries), it needs to be repeated that the participatory revolution was ignited in the late 1960s and 1970s. Its impact on *institutional* change and modernization was, alas, quite limited in its initial phase of the 1960s and 1970 as well as during the 1980s. Moreover the debate of the 1980s about 'renewing politics from bottom up' (*Erneuerung der Politik von unten*) remained (again, alas) an almost entirely academic debate (Hesse 1986; Wollmann 1986).

4 SWEEPING CHANGES IN THE 1990s

Since the early 1990s Germany's local government system has been seized by two powerful reform currents of conspicuously distinct origins and contexts.

- With a ten year delay the national discourse on modern sector modernization finally joined the international NPM bandwagon (for a distinction between *NPM-modernizers*, *traditional modernizers* and *alternative modernizers* see Wollmann 1996, p. 15; Schröter and Wollmann 1997. For the *discourse* concept in general see Wittrock, Wagner and Wollmann 1991, p. 75 ff.).
- At the same time, the institutional arrangement of local government was profoundly remoulded by the introduction of procedures of direct democracy.

The 'New Steering Model', the German variant of New Public Management, making its entry and impact

Several reasons account for the abrupt shift in the discourse on public sector modernization in the early 1990s (Schröter and Wollmann 1997, p. 192 with further references).

- From the beginning of the early 1990s the squeeze on the budgets of all levels of government dramatically increased, as fulfilling the Maas-tricht criteria demanded strict budgetary austerity and, at the same time, the public debt kept skyrocketing in the wake of the enormous public expenditures incurred in the process of German Unification. So the neo-liberal call for a 'lean State' and the NPM promise of an economically efficient administration finally attracted growing attention across political party lines and on all levels of government as an approach and panacea for coping with the budgetary plight.
- The self-confident, if not complacent trust, hitherto widely shared by practitioners and academics alike, in the comparative strength and quality of the German administrative model was shattered by the results of an international competition which was initiated and funded

by Bertelsmann Foundation in 1992 and was meant to identify the most innovative modernization cases among major cities world-wide. When the cities of Phoenix (Arizona, USA) and Christchurch (New Zealand) came out at the top of the list of best performers, while the German candidate cities ended at the very bottom (Bertelsmann Stiftung 1993), this outcome was perceived by practitioners, experts as well as by the general public in Germany as a shocking eye-opener and 'the writing on the wall'. The shock wave did much to question and 'de-legitimize' the traditional administrative model and to make the German modernization discourse now almost fervently embrace the NPM message.

- A decisive actor in piloting and engineering the strategic shift in the modernization discourse were KGSt and its then director Gerhard Banner. While until the late 1980s the organizational recommendations which KGSt elaborated and promulgated were basically still rooted in the traditional organizational (hierarchical and rule-bound *Max Weberian*) model of public administration, in 1991, in an abrupt change of mind, KGSt advocated the idea of modernizing local government by radically restructuring it (Banner 1991; KGSt 1994). In drawing on the international NPM discourse, more specifically, on the NPM-guided modernization concepts elaborated in the Dutch (middle-sized) town of Tilburg, KGSt formulated its NPM variant under the label 'New Steering Model' (*Neues Steuerungsmodell*). Girded with the undisputed authority which KGSt had gained over the years and promoted in an almost missionary and campaign-like fashion, the new KGSt message spread among local governments 'like a bush fire' (Reichard 1994, p. 5) and triggered modernization activities in a growing number of localities, at first in West Germany and, with some delay, also in East Germany.

In a nutshell, the following components of the New Steering Model (NSM) were highlighted (KGSt 1994; Reichard 1994; Hendriks and Tops 1999, p. 144 for references):

- On the one hand, guided by the idea of turning local government into a 'service delivery enterprise' (*Dienstleistungsunternehmen*) premised on private sector management principles, the New Steering Model is targeted, first, at overcoming the traditional top-down hierarchy of public administration by introducing intra-organizational decentralization and autonomy of resource management and responsibility (*dezentrales Ressourcenmanagement*). Second, it aims to reduce the traditional legalist primacy and economic myopia of public administration by introducing cost-efficiency mechanisms. In the early conceptual blueprint of KGSt prime attention was given to translating the traditional *tasks* of public administration into 'products' that are to fulfil the crucial function of carrying the relevant information on the goals (outputs) to be achieved as well as on the resources and costs (inputs) incurred, thus having

a pivotal role in the entire new cost-achievement accounting (*Kosten-Leistungs-Rechnung*) and controlling system. In fact, the initial programmatic emphasis on the *products* marked a peculiar (and as it turned out problematic) 'German approach', under KGSt leadership, to public sector modernization (see Reichard and Wegener 1998).

- On the other hand, in a more political stance, the New Steering Model is to strengthen the influence and control of the elected council over the local administration, particularly by reshaping the budgetary process. Different from the traditional input-oriented and detailed itemized budget, the new output-oriented and lump sum (global) budget is meant to focus the attention of the elected council on the major decisions in local policy making (instead of being absorbed by minor, if not, trivial matters). The budgetary output-indicators, *controlling* reports and (political) contracts are designed to increase the capacity of the elected councillors to hold the administration and the chief executive accountable.

As the available empirical data indicate¹, in both strategic dimensions the implementation of the New Steering Model has so far encountered serious difficulties and obstacles.

- The *products* as the conceptual and instrumental hub of the New Steering Model has run into major problems if not 'impasse' ('Sackgasse', Reichard and Wegener 1998, p. 41) for a number of reasons. The 'product catalogues' on the elaboration of which many localities concentrated their initial efforts often turned out over-detailed and cumbersome, while, at the same time, still lacking the crucial indicator-based specification of performance goals (outputs) and related resources/costs (inputs) as the precondition of a viable cost-achievement-accounting system. Furthermore, the (financial, personnel, technical, etc.) costs required to install, update and operate such elaborate *product*-based systems often seem to be prohibitively high (Grunow 1998, p. 3). In the meantime many municipalities have turned to simplified and technically less unwieldy modes of cost-achievement-accounting.
- In a similar vein, the new budgeting system has had a rough ride. Under the current budgetary squeeze the new budgeting procedure has so far, under the guise of lump sum budgeting, often served to, put a ceiling on the allocation of resources to the various departments and sectors of local administration and to off-load on to them the conflict-ridden responsibility and burden of distributing the scarce resources. By the same token, strengthening the role of the elected councils *vis-à-vis* local administration, particularly through budgetary output measures and controlling feed-back loops, mostly still seems a far cry. By and large, the elected local councils as well as the local citizens at large have, to a significant extent, been bypassed and left out by the New Steering Model-guided modernization drive. So it

should come as no surprise that, as recent surveys suggest, the members of the local councils have become increasingly disenchanted with NSM modernization (Grönig and Gruner 1998, p. 586).

In an obvious reaction to, and in an attempt to counteract, the economic and fiscal one-sidedness of the modernization process, more recently the concept of the 'citizen commune' (*Bürgergemeinde*) has been (re-)discovered in the New Steering Model-related discourse with the understanding and intention that the citizen commune should ensure the political, participatory and even communitarian linkage between the citizen and administrative modernization (Banner 1998; KGSt 1996)².

Despite the conceptual shortcomings and implementation problems of the current modernization movement, there can be no doubt that, under the impact and as the result of this modernization drive, local administration has been profoundly changed, probably less in terms of already effected substantive organizational and procedural restructuring, than by giving cost-efficiency and economic thinking an organizational, personal and cognitive footing. In this regard a spectacular inroad into the traditional model and thinking of public administration has been made.

The dynamics of the ongoing modernization movement have been reinforced and fuelled by the fact that the modernizing groundswell of the early 1990s has reactivated or given new momentum to reformist concepts and measures that were originally introduced and implemented during the reform thrust of the 1960s and 1970s and the reform activities of the 1980s, such as the reform of social administration, the employment of participatory procedures in planning or the establishment of citizen centres. It is the very amalgamation of such *traditional* reform concepts and of *NPM/NSM*-derived components that characterizes the most successful and robust of the current local modernization projects.

It may well be (and, in fact, quite likely) that, in the life cycle and pendulum swing of reform that has already marked the upsurge and retreat of the modernization wave of the 1960s and 1970s, the New Steering Model euphoria will subside (or is already abating). But there are good reasons to assume that the deep-reaching impact which the current modernization wave has had on local level administration is going to last, not least because in the German context the local level modernization wave has been triggered almost entirely by the local practitioners themselves, under the conceptual initiative and leadership of the (municipally funded) KGSt, but without significant intervention and arm-twisting from upper governmental levels. This bottom-up origin and conduct of local government modernization has fostered the continuity of a long-term learning and adaptation process.

Direct democracy procedures resetting local government

Another powerful current impacted on the institutional setting of local government when, in the early 1990s, the Länder, in a striking sequence of legislative moves, went about introducing direct democracy procedures, i.e.

local (binding) referendums and the direct election of local chief executives to the local political world traditionally marked by the preponderance of the principles of representative and political party democracy (Wollmann 1999a, 1999b, 2000a with references).

- While until recently Baden-Württemberg was the only Land to provide, since the mid-1950s, for such procedures, (binding) local referendums have been instituted in the early 1990s in almost all Länder. Responding to and mirroring the democratic civic movement which played an important role in toppling the Communist regime, the municipal charter, which was enacted in May 1990 by the democratically elected parliament of the then still existing German Democratic Republic, stipulated (binding) local referendums. In a sweeping series of legislative acts almost all other Länder followed suit. While the local population now may, via local referendum, address all matters of 'the local community', local budgetary and internal organizational matters of local administration, as an important exception, are not eligible for local referendum.
- In another sweeping institutional change the Länder proceeded, in the early 1990s again in strikingly congruent legislative moves, to introduce the direct election of the (*monocratic*) mayor (and also of the head of the counties, *Landräte*); in addition, some Länder also installed procedures to recall, i.e. to remove from office, the mayors (and the *Landräte*) by local referendum. In the municipal charters enacted after 1945, only two Länder (Baden-Württemberg and Bayern) had provided for directly elected (strong) mayor (in drawing on the pertinent US model), while the other Länder adopted a variety of other models. Particularly in the East German Länder the adoption of the direct election of the mayors was primarily motivated by democratic concerns, while some West German Länder were apparently led mainly by the intention to strengthen the managerialist capacity and clout of the local chief executive. In most Länder the *direct democratic* modality of electing mayors was complemented by introducing recall procedures by which the local population is given the right to unseat a mayor by local referendum. It is worth mentioning that in the East German Land Brandenburg, since the end of 1993, when the new legislation was passed, about 10 per cent (!) of the full-time mayors have lost their positions as result of local *recall* referendums. (Wollmann 2000c, p. 123)

In sum, the hitherto existing power arrangement and institutional balance in the local arena between the local population, the elected council and the local administration (more specifically, the local head of administration) have been conspicuously changed.

With regard to local direct democratic procedures Germany has turned into a frontrunner among West European countries, except, of course, for Switzerland as the classical European homeland of local direct democracy.

5 SUMMARIZING AND CONCLUDING REMARKS

(1) In the development of local government modernization over the past fifty years three stages may be discerned: a modernization wave in the late 1960s and early 1970s, followed by the incrementalist 1980s and another modernization wave since the beginning of the 1990s. This pattern has been identified in other fields of policy and institution development in Germany as well (Bönker and Wollmann 1996; Czada and Wollmann 2000).

- In the late 1960s and early 1970s Germany's local government was seized by a *wave* of change through which both its (intergovernmental) institutional setting (essentially by acts of the Länder level, such as by territorial reforms) and its internal organization (basically by decisions of the local authorities themselves) were significantly reshaped – probably more deeply than in most other European countries. As in the other OECD countries, the modernization thrust was prompted mainly by the advances of the welfare state and the impact of the internationally dominant rationalist planning discourse. The bottom-up manner in which local government, in Germany's federal and decentralist constitutional context, embarked upon (internal) modernization gave the implementation and learning process a local institutional and personal footing which increased the chances of the reformist concepts and networks of surviving and persisting in an incrementalist pattern when the (short-lived) modernization wave subsided.
- During the 1980s, when in most other OECD countries, particularly in the Anglo-Saxon world and since 1979 most spectacularly in the UK under Conservative leadership, the 'lean state' and New Public Management discourse became dominant in guiding far-reaching public sector modernization, including the local level, the modernization discourse in Germany stayed conspicuously distanced from the internationally hegemonic NPM debate, while administrative reform in local administration, under budgetary retrenchment pressure, was pursued, at an incrementalist and adaptive pace, along the line of efficiency-related as well as citizen-oriented concepts. This deviance of the modernization discourse and practice from the international pattern may be explained (structurally) by the different starting point of local government reforms in this period, (insofar as the German local government system already exhibited some modernization assets stipulated by NPM, such as the devolution and outsourcing of public tasks and services) and (cognitively) by the self-confident assessment of the, by international standards, good performance of German administration as well as by the perception of NPM as being, with its private sector orientation, alien to the German State and administrative tradition.
- Since the early 1990s the rhetoric, pace and rate of public sector mod-

ernization in Germany, particularly regarding local government, has finally fallen in line with the international modernization discourse and practice by translating the NPM message (and its early elaboration in the Dutch town of Tilburg) into a German version and derivative labelled New Steering Model, and by unleashing a new wave of modernization measures in many municipalities and counties. This rupture in the modernization discourse and practice can be explained by the ever more acute budgetary woes (in the wake of German Reunification and its costs) and, cognitively, by the traditional (hierarchical and rule-bound) administrative model having been de-legitimized in the wake of the international Bertelsmann prize of 1982 ending with a bottom ranking of German candidate cities. Adding to the dynamics of change, administrative reform concepts dating back to the 1960s and 1980s gained new momentum and were adopted by and amalgamated with, the New Steering Model in what have so far probably been the most successful local modernization projects. At the same time, local government has been institutionally remoulded by the introduction of direct democracy procedures, that is, of local referendums and the direct election of mayors (and of recall procedures), thus making Germany a frontrunner, on this score, among European countries.

(2) As the (early) concept of the New Steering Model, in essentially drawing on private sector managerialism accentuates the *economic* efficiency and *economic* rationality of public sector activities, while the advancement of direct democratic institutions underscores the *political* profile and embeddedness of public administration and its *political* accountability and political rationality, local government modernization has, since the early 1990s, faced the challenge and impact of two powerful discourses and movements that are premised on conspicuously distinct and potentially conflicting concepts.

- On the one hand, the two strands may well be compatible or even complementary and synergetic, as NPM- and NSM-inspired modernization might not only increase the economic efficiency and performance of public administration, but also, if output-oriented budgeting and related controlling mechanisms are adequately implemented as conceptually stipulated, strengthen its (political) accountability and responsiveness *vis-à-vis* the elected council. The recent rediscovery, in the New Steering Model discourse, of the 'citizen commune' (*Bürgergemeinde*) also adds a citizen empowerment dimension to the New Steering Model concept. At the same time, the new direct democratic procedures, particularly the direct election of the mayor, is prone to enhance the political accountability and embeddedness of local administration.
- On the other hand, if over-accentuating the principles of private sector managerialism and its *economic* rationality, the New Steering Model is

liable to ignore the normative premises as well as political and cultural givens of local government and thus to base the conceptual transfer and transplant on a 'false theory' which is liable to vitiate the modernization process. (For this the foundering of the *products* may be seen a case in point). By the same token, more generally the New Public Management/New Steering Model concept may tend to politically decouple and de-politicize the operation of public administration and thus runs counter to basic political and cultural premises of local government as local democracy. While the normative and political imperative of the latter seems stronger in the German case than in other European countries, to begin with, because of the country's traumatic historical experience with tyrannical government, it has certainly been reinforced by the recent large-scale introduction of direct democracy procedures in local democracy. So the present modernization process in Germany makes for an almost laboratory-type case for observing the (complementary or contradictory) confluence of the two currents.

(3) The trajectory which Germany has pursued since the early 1990s in its public sector modernization presents a case of 'ambivalence' (Schröter and Wollmann 1997; Wollmann 2000d). On the one hand, it has, as a latecomer and 'laggard' (Hood 2000), fallen in line with the international discourse about and thrust for NPM and its demand for introducing public sector management to the private sector. In this sense it shows some *divergence* from its traditional path and a concomitant *convergence* particularly with the Anglo-Saxon and also Scandinavian worlds. On the otherhand, however, the trajectory manifests a significant *institutional continuity* as basic features that have driven and carried the earlier trajectory continue to be at work with a 'path-dependent' persistence. This particularly applies to the *inter-governmental* setting of the administrative system which continues to be characterized by the federal separation of policy making and implementation functions between the federal and the Länder levels and by politically and functionally strong local government, whereby, since the early 1990s, the underlying organizational logics have been even further accentuated in a 'path-dependent' direction, particularly by strengthening the political and administrative function of local government and the underlying 'territoriality' and unitary local government principles (Wollmann 2000d).

With regard to its (function-separating) federalism and its type of politically and functionally strong, multi-purpose local government system, Germany's institutional trajectory sets itself distinctly apart from the Anglo-Saxon countries (including federal ones, such as Australia). Furthermore, it may be argued that, because of the constellation of such features, Germany's trajectory has traces even of a self-standing 'idiosyncrasy' that defies grouping and typologizing with other cases. While there may be some truth in this with regard to the *inter-governmental* setting, it applies

certainly much less to the *intra-administrative* dimension in which Germany has broad commonalities particularly with countries that are also rooted in a pronounced rule of law tradition and/or have a strong local government level. Under these auspices, Germany's modernization trajectory may be put in the same group and typology with the other Continental European countries (with regard to their rule of law tradition) and also to some degree with the Scandinavian countries (in view of the 'Northern and Middle European' type of – strong – local government). Finally, mention may be made of the East Central European countries which, in overcoming the overly centralist and 'law-nihilist' legacy of the communist past and in linking up with their own pre-communist traditions, have set about establishing a rule of law regime, a robust (*Max Weberian*) public administration and a strong local government level; it may well be argued that the institution building and modernization trajectory of these countries has a historical and structural kinship with the Continental European countries, not least Germany, rather than with the Anglo-Saxon world.

NOTE

1. For available empirical information on the state of local administrative modernization see: the (three) surveys conducted by German Cities Association (*Deutscher Städtetag*) among its (both West and East German) member cities in 1994/95, 1996 and 1998, particularly in: Gromig/Gruner 1998. For (case study-based) research results see Kissler *et al.* 1997 (on West Germany municipalities), Wegrich *et al.* 1997 (on East German municipalities and counties) and Jaedicke *et al.* 2000 (on West and East German municipalities).
2. See Hendriks and Tops 1999 for their intriguing observation that in Germany local governments when, in the early 1990s, they embarked upon administrative modernization under an economically accentuated New Steering Model seem to have to some extent copied an earlier version of the 'Tilburg model', while at that time in Tilburg itself the pendulum had already swung back to a more participatory approach with regard to which some guidance is seen in the earlier 'participatory' phase in Germany (see Hendriks and Tops 1999, pp. 143 ff.).

REFERENCES

- Aucoin, Peter. 1990. 'Administrative reform in public management: paradigms, principles, paradoxes and pendulums', *Governance* 3, 2, 115–137.
- Baldersheim, Harald. 1996. 'Nordic municipalities in transition: from free communes to free choice,' pp. 289–307 in Christoph Reichard and Hellmut Wollmann (eds.), *Kommunalverwaltung im Modernisierungsschub?* Basel/New York: Birkhäuser.
- Baldersheim, H., M. Illner, A. Otterdal, L. Rose, and P. Swianiewica (eds.) 1996. *Local democracy and the processes of transformation in East-Central Europe*. Boulder, CO: Westview Press.
- 1998. 'Von der Ordnungs- zur Dienstleistungs- und Bürgergemeinde', *Der Bürger im Staat* 4, 179–89.
- Banner, Gerhard. 1991. 'Von der Behörde zum Dienstleistungsunternehmen', *VDP*, 1, 5–12.
- Barzelay, Michael. 2000. *The new public management: Improving research and policy dialogue*. University of California Press: Berkeley/Los Angeles/Oxford (forthcoming).
- Benz, Arthur and Klaus H. Goetz. 1996. 'The German public sector: national priorities and the international reform agenda', pp. 1–26 in Arthur Benz and Klaus H. Goetz (eds.), *A new German public sector? Reform, adaptation and stability*. Aldershot, Hants: Dartmouth Publishers.

- Berterlmann-Stiftung (ed.) 1993. *Demokratie und Effizienz in der Kommunalverwaltung* Band 1 Gutersloh. Bertelsmann-Stiftung
- Bonker, Frank and Hellmut Wollmann 1996. 'Incrementalism and reform waves: the case of social service reform in the Federal Republic of Germany', *Journal of European Public Policy* 3, 3 (Sept.), 441-60
- 2000 'The rise and fall of a social service regime. marketisation of German social services in historical perspective', pp 327-50 in Hellmut Wollmann and Eckhard Schroter (eds.), *Comparing Public Sector Reform in Britain and Germany* Aldershot Ashgate
- Czada, Rolan and Hellmut Wollmann (eds.). 2000 *Von der Bonner zur Berliner Republik* Opladen: Westdeutscher Verlag
- Derlien, Hans-Ulrich 1990c 'Genesis and structure of evaluation efforts in comparative perspective', pp 147-77 in Ray Rust (ed.), *Program evaluation and management of government*. New Brunswick/London: Transaction.
- 1996. 'Patterns of post war administrative development in Germany', pp 27-44 in Arthur Benz and Klaus H. Goetz (eds.), *A new German public sector? Reform, adaptation and stability* Aldershot, Hants: Dartmouth Publishers
- Dyson, Kenneth 1980 *The state tradition in Western Europe* Oxford: Oxford University Press
- Gronug, Erko and K. Gruner 1998 'Reform in den Rathäusern', *Der Stadtetag* 8, 581-4
- Grunow, Dieter 1988 *Bürgerernahe Verwaltung* Frankfurt/New York: Campus
- 1998 'Lokale Verwaltungsmodernisierung 'in progress'', S. 1-25 in Dieter Grunow and Hellmut Wollmann (Hrsg.), *Lokale Verwaltungsreform in Aktion* Basel usw: Birkhäuser
- Hendriks, Frank and Kees Schalken. 1998 'Local government and the new public management: the case of the Tilburg model', pp 386-99 in Dieter Grunow and Hellmut Wollmann (eds.), *Lokale Verwaltungsreform in Aktion Fortschritte und Fallstricke* Basel/New York: Birkhäuser
- Hendriks, Frank and Pieter Tops 1999 'Between democracy and efficiency trends in local government reform in the Netherlands and in Germany', *Public Administration* 77, 1, p 133-53.
- Hesse, Jens Joachim (ed.) 1986 *Erneuerung der Politik von unten? Stadtpolitik und kommunale Selbstverwaltung im Umbruch* Opladen: Westdeutscher Verlag
- 1990 'Local government in a federal state: the case of West Germany', pp 353-86 in J.J. Hesse (ed.), *Local government and urban affairs in International perspective* Baden-Baden: Nomos.
- Hesse, Jens Joachim and L.J. Sharpe 1990 'Local government in international perspective: some comparative observations', pp 603-21 in Jens Joachim Hesse (ed.), *Local government and urban affairs in international perspective* Baden-Baden: Nomos
- Hood, Christopher 1995 'Contemporary public management: a new global paradigm?', *Public Policy and Administration* 10, 2, p 104-17
- 2000 'Tortoises, hares and 'laggard leadership': a brief comment on public service reform in Germany and the UK, in Eckhard Schroter and Hellmut Wollmann (eds.), *Public sector modernization in Britain and Germany* London: Macmillan (forthcoming)
- Jaedicke, Wolfgang and Kristine Kern and Hellmut Wollmann 1990 *Kommunale Aktionsverwaltung in Stadterneuerung und Umweltschutz* Bonn: Bundesverlag
- Jaedicke, Wolfgang, Thomas Thrun and Hellmut Wollmann 2000 *Modernisierung der Kommunalverwaltung Evaluierungsstudie zur Verwaltungsmodernisierung im Bereich Planen, Bauen und Umwelt* (ed. Wustenrot-Stiftung) Stuttgart: Kohlhammer
- KGSt (Hrsg.) 1993. *Das neue Steuerungsmodell* Bericht 5/1993
- 1994 *Das neue Steuerungsmodell*. Köln: KGSt
- 1996 *KGSt-Politiker-Handbuch zur Verwaltungsreform* Köln: KGSt
- Kickert, Walter J.M. 1996 'Administrative reforms and public sector governance in the Netherlands', p 320-45 in Christoph Reichard and Hellmut Wollmann (eds.), *Kommunalverwaltung im Modernisierungsschub?* Basel/New York: Birkhäuser
- Kissler, Leo, J. Bougumil and E. Wiechmann 1995. *Anders verwalten* Marburg: Schüren-Verlag.
- Kissler, L., J. Bougumil, E. Greifenstein and E. Weichmann 1997 *Moderne Zeiten im Rathaus?* Berlin: Sigma.
- Klages, Helmut and Elke Löffler. 1996a 'A new steering model in Germany: the ideal solution to the problems of guaranteeing a self-sustaining development of New Public Management?' Paper presented at the IIAS Conference, Beijing

- . 1996b. 'Public sector modernization in Germany – recent trends and emerging strategies', pp. 132–45 in N. Flynn and F. Strehl (eds.), *Public sector management in Europa*. London: Prentice Hall
- König, Klaus and Natascha Fuchtnier. 1998. 'Von der Verwaltungsreform zur Verwaltungsmodernisierung', S. 5–49 in Dies. (Hrsg.), *'Schlanker Staat' – Verwaltungsmodernisierung im Bund*. Speyer: Deutsche Hochschule für Verwaltungswissenschaften
- Knemeyer, Franz-Ludwig. 1999. 'Kommunalverfassungen in der Bundesrepublik', S. 104–22 in Hellmut Wollmann and Roland Roth (Hrsg.), *Kommunalpolitik*. Opladen: Leske Budrich.
- Laux, Eberhard. 1999. 'Erfahrungen und Perspektiven der kommunalen Gebiets- und Funktionalreformen', p. 168–85 in Hellmut Wollmann and Hellmut Roth (Hrsg.), *Kommunalpolitik*. Opladen: Leske Budrich
- Levine, Robert A. 1981. 'Program evaluation and policy analysis in western nations: an overview', pp. 27–60 in Robert A. Levine, Manan A. Solomon, Gerd-Michael Hellstern and Hellmut Wollmann (eds.), *Evaluation Research and Practice*. Beverly Hills/London: Sage.
- Löffler, Elke. 1997. *The modernization of the public sector in an international comparative perspective. Strategies in Germany, Great Britain and the United States*, Speyer: Forschungsinstitut für öffentliche Verwaltung
- Marcou, Gérard and Imre Verebelyi. 1993. *New trends in local-government in Western and Eastern Europe*. Brussels: International Institute of Administrative Sciences
- Naschold, Frieder. 1995. *Ergebnisorientierung, Wettbewerb, Qualitätspolitik*. Berlin: Sigma
- Naschold, Frieder and Jörg Bogumil. 1998. *Modernisierung des Staates*. Opladen: Westdeutscher Verlag.
- Norton, A. 1994. *International handbook of local and regional government*. Aldershot, Hants: Edward Elgar
- Peters, Guy B. 1996. 'Political institutions, old and new', pp. 205–20 in Robert E. Goodin and Hans-Dieter Klingemann (eds.), *A new handbook of political science*. Oxford: Oxford University Press
- Pollitt, Christopher and Geert Bouckaert. 2000. *Public management reform, a comparative analysis*. Oxford: Oxford University Press
- Reichard, Christoph. 1994. *Umdenken im Rathaus*. Berlin: Sigma
- . 1996. 'Die "New Public Management"-Debatte im internationalen Kontext', p. 241–74 in Christoph Reichard and Hellmut Wollmann. (eds.), *Kommunalverwaltung im Modernisierungsschub?* Basel/New York: Birkhäuser.
- . 1998. 'Der Produktansatz im "Neuen Steuerungsmodell" – von der Euphorie zur Ernüchterung', S. 85–102 in Dieter Grunow and Hellmut Wollmann (Hrsg.), *Lokale Verwaltungsreform in Aktion*. Basel: Birkhäuser.
- Reichard, Christoph. 1997. 'Deutsche Trends der kommunalen Verwaltungsmodernisierung', pp. 45–67 in Frieder Naschold et al. (eds.), *Innovative Gemeinden*. Stuttgart: Kohlhammer
- Reichard, Christoph and Alexander Wegener. 1998. 'Der deutsche Weg des Produktkatalogs – eine Sackgasse?' Deutscher Stadtetag (Hrsg.), *Produkte im Mittelpunkt, DSt-Beiträge zur Kommunalpolitik*, Reihe A, Heft 23, p. 41 Köln
- Schroter, Eckhard and Hellmut Wollmann. 1997. 'Public sector reforms in Germany. whence and where? A case of ambivalence', pp. 184–200 in *Hallinan Tutkumus, Administrative Studies*, no 3.
- Wagner, Peter and Hellmut Wollmann. 1986. 'Fluctuations in the development of evaluation research – do "regime shifts" matter?', *International Social Science Journal* 108, 205–18
- Wegrich, Kai and Wolfgang Jaedicke, Sabine Lorenz and Hellmut Wollmann. 1997. *Kommunale Verwaltungspolitik in Ostdeutschland*. Basel: Birkhäuser.
- Wittrock, Björn, Peter Wagner and Hellmut Wollmann. 1991. 'Social science and the modern state. knowledge and political institutions in Western Europe and in the United States', pp. 28–55 in Peter Wagner, Carol Weiss, Björn Wittrock and Hellmut Wollmann (eds.), *Social sciences and modern states*. Cambridge: Cambridge University Press.
- Wollmann, Hellmut. 1986. 'Stadtpolitik – Erosion oder Erneuerung des Sozialstaats "von unten"?' p. 79–95 in Bernard Blanke, Adalbert Evers, Hellmut Wollmann (eds.), *Die Zweite Stadt*. Opladen: Westdeutscher Verlag
- . 1996. 'Verwaltungsmodernisierung: Ausgangsbedingungen, Reformanläufe und aktuelle Modernisierungsdiskurse', pp. 1–49 in Christoph Reichard and Hellmut Wollmann (Hrsg.), *Kommunalverwaltung im Modernisierungsschub?* Basel: Birkhäuser
- . 1997. 'Modernization of the public sector and public administration in the Federal Republic of Germany. (Mostly) a story of fragmented incrementalism', pp. 79–103 in Michio Muramatsu and Frieder Naschold. (eds.), *State and administration in Japan and Germany*. Berlin: deGruyter.

- 1999a 'Kommunalpolitik – zu neuen (direkt-)demokratischen Ufern?' pp 37–49 in Hellmut Wollmann and Roland Roth (Hrsg.), *Kommunalpolitik* Opladen Leske Budrich
- 1999b 'Le système local en Allemagne vers un nouveau modèle de démocratie locale?', pp. 103–16 in CURAPP/CRAPS, *La démocratie locale Représentation, participation et espace public* Paris PUF.
- 2000a 'Local government systems. from historic divergence towards convergence? Great Britain, France and Germany as (comparative) cases in point', *Government and Policy* 18, 33–55
- 2000b 'Comparing institutional development in Britain and in Germany: (persistent) divergence or (progressing) convergence?', pp 1–24 in Hellmut Wollmann and Eckhard Schroter (eds.), *Comparing public sector reforms in Great Britain and Germany* Aldershot Ashgate
- 2000c 'The development and present state of local government in England and Germany – a comparison', p 107–31 in: Hellmut Wollmann and Eckhard Schroter (eds.), *Comparing Public Sector Reforms in Great Britain and Germany* Aldershot: Ashgate.
- 2000d. 'Germany's trajectory of public sector modernisation – continuities and discontinuities', *Policy and Politics* (forthcoming).

Date received 2 June 1999. Date accepted 16 May 2000.

MODELS FOR RESEARCH INTO DECISION-MAKING PROCESSES: ON PHASES, STREAMS AND DECISION-MAKING ROUNDS

GEERT R. TEISMAN

This article elaborates on the question of how complex decision making can be analysed. Three conceptual models are compared: the phase model, the stream model and the rounds model. Each model is based on specific assumptions about what decision making is and how it should be analysed. The phase model focuses on successive and distinctive stages in a process, i.e. defining a problem, searching for, choosing and implementing solutions. The stream model emphasizes concurrent streams of participants, problems and solutions, defining decision making as the connection between these streams. The rounds model combines elements of the other two models, in assuming that several actors introduce combinations of problems and solutions, and create progress through interaction. Each model generates specific insights, as is shown from the example of the 'Betuwe line', a railway line intended for the transport of cargo, in the Netherlands. The phase model concentrates on decisions taken by a focal actor; the stream model focuses on the coincidental links between problems, solutions and actors; and the rounds model on the interaction between actors.

1 MODELS FOR THE RECONSTRUCTION OF DECISION MAKING

Public administrationists agree that decision making has become more complex. Several reasons can be identified for this increased complexity. Two important ones are: increased uncertainty about the global economy and the rise of the power-sharing world or 'network society', where nobody is in charge (Bryson and Crosby 1992; Kickert *et al.* 1997). This article is based on the assumption of increased complexity. Complexity raises the question of how researchers should handle this problem (Butler 1991; Mintzberg 1973; Teisman 1992, 1995, 1998). Furthermore, the question of complexity is part of the wider discussion on governance in networks (for example: in Germany, Marin and Mayntz 1991 and Scharpf 1997; in France Crozier and Friedberg 1980; in Great Britain, Rhodes 1996a and in the USA, E. Ostrom 1990; Smith 1998)

This article focuses on the question of how to depict decision making in societies that are confronted with network structures. I will concentrate on the characterization of successive decision-making activities and of concurrent decision-making activities. I will also discuss the assumed relations

Geert R. Teisman is Professor in the Department of Public Administration at Erasmus University Rotterdam.

between the activities, in sequential as well as parallel combinations. The following research questions can be formulated:

- (1) Which assumptions are made with respect to chains of activities in decision-making processes? I will analyse different criteria to distinguish between: strands of activities, typologies of decision making as a whole and elements of this process, and signs of progress in decision making.
- (2) What sorts of assumptions are made with respect to simultaneous activities in decision-making processes? Specifically, I will distinguish here between (more or less relevant) actors, the relationship between problems and solutions, and the content of decision making.

To analyse decision making, the researcher needs to make a reconstruction of the study object. Such a reconstruction will be selective in nature. Observation is not simply an effort to learn what is going on. Rather it is a process where observations are made to conform to sets of assumptions (Edelman 1971). The gathering and classification of empirical observations into meaningful information is based on the a priori images of decision making used. We cannot depict decision making without making assumptions about its appearance. Various terms are used to describe such a set of assumptions: model, image, metaphor, referential framework or methodology. In this article, the term 'model' will be used. Models help us to understand decision making in distinctive yet partial ways (Morgan 1997, p. 4).

Three models will be discussed in this paper. Two of these are generally accepted and respected, i.e. the so-called *phase model* and the *stream model*. The phase model is the most common approach, both in science (Anderson 1979; Bryson and Crosby 1992) and in policy practice (procedures are often based on the concept of phasing). Decision making is represented in terms of a number of distinct stages (Mintzberg 1976). Phase models distinguish between (at least) policy formation, policy adoption and policy implementation. Each phase has its specific characteristics and participants. Ministries, for instance, are often divided into departments that are responsible for policy formation and others responsible for implementation.

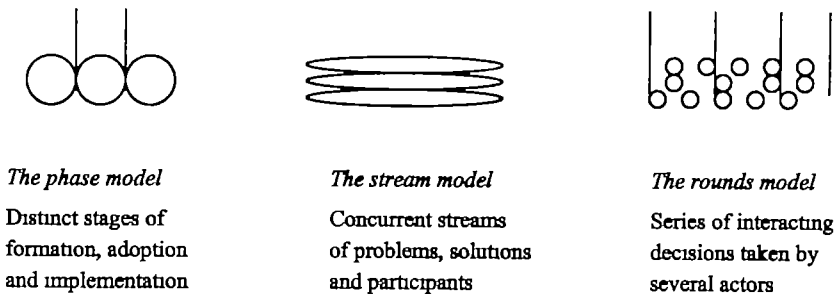
The stream model depicts decision making as a combination of three separate concurrent streams (Kingdon 1984). One stream consists of problems, another of policies/solutions, and a third one of politics/participants. Like the phases, streams have their own characteristics, but they exist side by side. A decision becomes the coincidence of streams.

In this article I will emphasize a third conceptual approach to decision making, the so-called *rounds model*. In this model, decision making is assumed to consist of different decision-making rounds. In all sets of rounds, the interaction between different actors results in one or more definitions of problems and solutions. All participants can score points in each round, in terms of a leading definition of the problem and the

(preferred) solution. By doing so they define the beginning of the next round. But at the same time each new round can change the direction of the match, new players can appear, and in some cases the rules of the game can even be changed. This rounds model was developed during years of research in the field of urban and infrastructural planning. I was fascinated by the long duration of decision-making processes and by the changes in course these processes often take. Another remarkable result of my research was that the actors involved in decision making often did not agree on the classification of a certain stage in the process, in terms of formation, adoption and implementation. Although I was able to identify several official decisions taken by ministers, Parliament, parliamentary committees etc., none of these decisions could be clearly depicted as the moment of adoption. Some of the official decisions were followed by actions which could not possibly be seen as the implementation of these decisions. Furthermore, the distinction between problems and solutions proved to be far more complicated than was assumed in the stream model. What was a solution for one actor could easily be a problem for another. Participants bring along closely intertwined problems and solutions.

In order to understand the dynamics and variety of perceptions, I gradually altered my conceptual definition of decision making. Because the central decision could not be found, I began to collect all the decisions that were taken in a certain case. Secondly, I no longer assumed that the decisions were arranged on the basis of an a-priori order and hierarchy. On the contrary, it was the task of research to clarify the empirical relation between decisions. In order to do so, decision making was redefined as an intertwined 'clew' of a series of decisions taken by various parties, leading to a new analytical model. Progress is described in terms of rounds. This rounds model is dealt with in section 4. After all three models have been examined, they will be compared with each other in section 5. In section 6 a three-fold analysis of decision making about the Betuwe freight railway line will be carried out, and finally I shall draw some conclusions regarding the added value of the stream and rounds models as compared to the phase model.

FIGURE 1 *A depiction of three models for the analysis of decision-making processes*



2 CONCEPTS WITHIN AND PRINCIPLES OF THE PHASE MODEL

In many policy process analyses 'policy can be understood and examined as a combination of several processes, which are interrelated but can still be conceived as distinct components that are determinants of government actions' (Sato 1999). The phase model assumes that decision making is 'the succession of different situations in the formulation, adoption, implementation and evaluation of a policy' (Bryson and Crosby 1992, pp. 57–66). In this article we will not deal with the question of evaluation. Often formation is divided into a phase of problem definition and a phase where solutions are presented.

The first stage of the traditional policy process, problem definition, involves the emergence and recognition of some problem or crisis. Second, policy to address specific problems is formulated by various governmental and non-governmental actors such as legislators, executive branch officials, the courts, citizens and special interest groups. Special policy proposals are adopted in the third stage. The fourth stage is policy implementation, wherein the adopted alternatives are executed by administrative units. Finally, in the policy evaluation stage, policymakers determine whether the policy has achieved its goals (Altman and Petkus 1994).

Policy formulation is described as 'the collecting and analysing of information and the formulating of advice regarding the policy to be followed'. Parts of this phase are: recognition, diagnosis, search for information, design and evaluation of the different alternatives that are designed. Policy adoption involves the 'taking of decisions about the contents of a policy'. During implementation the chosen means are applied: 'Decision-making is a sequence of steps which, if followed, should lead to the best solution; that is, to action which optimises the decision maker's utility' (Butler 1991, pp.43–4).

Analysts using the phase model are aware of the fact that reality does not reflect the assumption of the model: 'Planning in shared-power situations hardly ever follows a rigidly structured sequence from developing problem definitions and solutions to adopting and implementing proposals. Serious difficulties arise when people try to impose this rigidly sequential approach on situations in which no one is in charge' (Bryson and Crosby 1992, p. xiv). 'Nonetheless, to be steadily effective, it is essential to have an organised approach of some sort' (ibid., pp. xiv). Several scientists reach the same conclusion (Hoogerwerf 1982; Mintzberg, Raisinghani and Therot 1976). They are aware that empiricism deviates from this, but feel it is worthwhile to reconstruct policy making as though it was taking place in phases. The phase metaphor allows scientists to develop different theories regarding the various stages. To reconstruct the policy formation phase, concepts such as '*problem definition*', '*generating alternative solutions*' and '*policy design*' are used. To analyse the adoption of policies, analysts look for

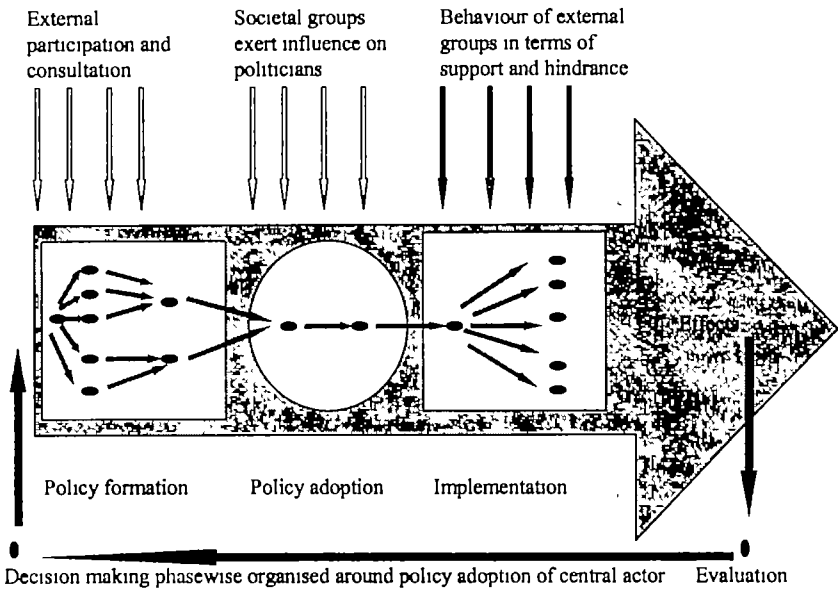
the central decision which demarcates the transition from formation to implementation. During this phase, the policy proposal needs to be determined that is optimally suited to achieve the set objectives. Many parties are involved in this phase, but in the end only one or two actors determine which means are used to achieve the objectives. During the implementation phase, the researcher focuses on how chosen means were used and how any opposition was handled.

Problems preceding the search for and choice of solutions

Scientists using the phase model assume that decision making is problem-oriented (Scharpf 1997). There is, or at least there should be, one actor whose decision supersedes those of others and who therefore determines the problem and the policy. 'We therefore define public policy as substantive decisions, commitments, and actions made by those who hold or affect government positions of authority, as they are interpreted by various stakeholders' (Bryson and Crosby 1992, p. 63). Even though Bryson and Crosby (1992, p. 159) agree with Rittel and Webber (1973) that public problems are 'wicked' in the sense that they have no definite formulation, cannot be solved immediately and are unique, they still assume that problems do exist and should be known before a search for solutions can begin. Developing a 'Problem Definition to Guide Action' is seen as the first and most important phase in decision making, which should be carried out before the adoption of a policy by the policy maker can take place. Bryson and Crosby also assume that a solution can be formulated at a single point and place (see figure 2). It is on these points that the stream and rounds models use different assumptions.

3 CONCEPTS WITHIN AND PRINCIPLES OF THE STREAM MODEL

Some researchers assume that the horizontal division of activities is a more crucial distinction in analysing processes than the vertical division used in the phase model. In their view, the analysis of the various phases does not result in specific theories on policy formation, policy adoption and implementation. Based on this point of view, the so-called stream model was developed in 1972 by Cohen, March and Olsen. In 1984 Kingdon elaborated this model further. His model was based on the idea that policy making consists of three streams: problems, solutions/policies and politics. As opposed to the phase model, here decision making is dissociated from a specific participant. The idea is that decision making consists mainly of a stream in which problems are discussed, a stream in which solutions are discussed and a stream consisting of things such as the attitude of the public, campaigns by pressure groups, and ideological contributions (Kingdon 1984, p. 152). Politicians can determine the problems and solutions they wished to concentrate on. For this reason they are likely to rush from one combination of problem and solution to the other. As a result of this the

FIGURE 2 *The concept of decision making used in the phase model*

Note: (Grey arrow is decision making; black dots are decisions and dots in the circle represent policy adoption)

level of participation in decision making is likely to vary strongly. Partly because of this, processes have an unpredictable development (March and Olsen 1976, pp. 10–23). Thus, the temporal sequence of the phase model is replaced by the postulate of simultaneousness (Koppenjan 1993, p. 26). The three streams exist simultaneously. 'They are largely independent of one another, and each develops according to its own dynamics and rules' (Kingdon 1984, p. 20). There are three separate worlds where specific products are developed and transformed into their own dynamics and therefore are not linked in any temporal sequence. 'While there are indeed different processes, they do not necessarily follow one another through time in any regular pattern' (Kingdon 1984, p. 83). Actors with solutions in the policy stream are looking for problems and political commitment, while politicians are looking for both solutions and problems with which they can 'score'. According to this conceptual model, major policy changes are likely to occur only if the three streams become linked. Such linkages can occur especially if there is a favourable momentum, a so-called 'policy window' (Kingdon 1984, p. 174; Anglund 1999). The researcher can make decision making transparent by investigating to what extent links are forged and why they are forged. Thus decision making is not primarily separated into vertical strands, in the sense of consecutive steps over time, but rather in

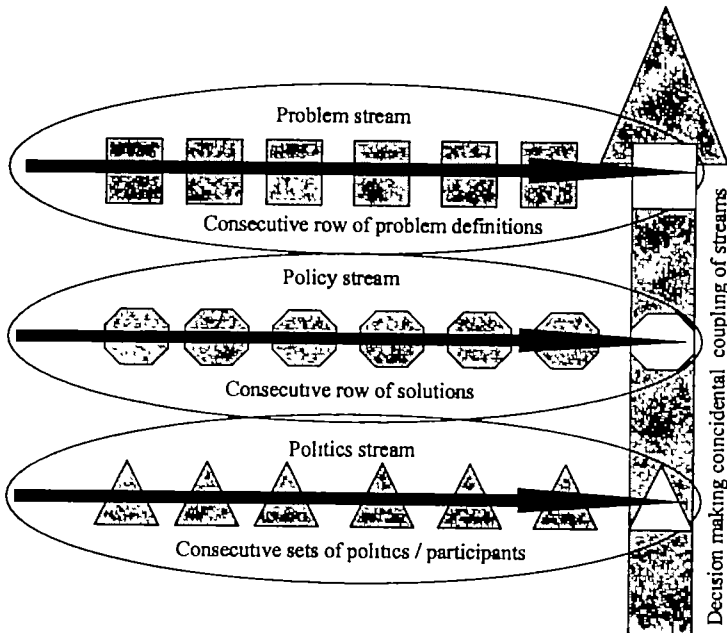
horizontal strands, in the sense of streams existing simultaneously side by side (figure 3).

4 THE ROUNDS MODEL

In the rounds model actors are once again the focal point of analysis. The assumption here is that solutions/policy and problems are relevant to a policy process, insofar as they are presented by an actor during this process (Scharpf, Reissert and Snabel 1978; Teisman 1998). In contrast to the phase model, here the researcher assumes that problems and solutions are not linked to a single actor (policy maker) and are therefore not fixed at the single moment at which the policy is adopted. Many actors are involved in decision making, and they will introduce their own perceptions of relevant problems, possible solutions and political judgement. To understand decision making, the researcher focuses on the variety of actors, objectives and solutions, their dynamics as well as the interaction between these elements. Complex decision making involves many policy makers who take decisions.

The rounds model can be seen as an interactive approach (Scharpf 1997). Policies, in terms of the actual interventions that take place in society, do not stem from an intended course of action formulated by one actor, but

FIGURE 3 *The concept of decision making used in the stream model*



Note: (Grey arrow on the right indicates the momentum of decision making as linking three separate streams)

result from of a series of decisions taken by different actors (see figure 3 from Teisman 1992, p. 33).

Political scientists ... should be interested in the fact that many or most of the well-designed policy proposals will never get a chance to become effective. The reason is that public policy is not usually produced by a unitary actor with adequate control over all required action resources and a single-minded concern for the public interest. Rather it is likely to result from the strategic interaction among several or many policy actors, each with its own understanding of the nature of the problem and the feasibility of particular solutions, each with its own individual and institutional self-interest and its own normative preferences, and each with its own capabilities or action resources that may be employed to affect the outcome (Scharpf 1997, p. 11).

The focus, therefore, should be on the interaction among purposeful actors. To gain insight into policy making, the researcher depicts which actors are participating at what time. Actors are units capable of developing a recognizable course of action (individuals, groups or collective/corporate entities). To separate strands of decision making, the train of thought of the phase model is combined with that of the stream model. On the one hand, a *vertical* classification of decision making is made, by looking at the series of decisions that were taken in that time. On the other hand, a *horizontal* classification is applied by looking at interactions concerning the same subject, even if actors are unaware of each other's decisions at the moment they take these decisions. The division into time periods differs from that of the phase model in a number of respects. It is not the feature of the time period as such (i.e. 'this is preparation and this is implementation') that is being determined, but rather the starting and concluding points of a certain period. Such a period is called a 'decision making round'. The researcher demarcates decision-making rounds by determining the most crucial decisions of decision making in retrospect. This concerns particularly the choice of decisions that in a later period of decision making serve as an important point of reference for the behaviour of the actors that are present at the time (Teisman 1998).

It is possible that one participant characterizes his activities in terms of policy implementation, the other in terms of policy development. This depends on the point of reference, more than on the activities as such. Referring to an adopted plan an activity can be defined in terms of implementation, while another party can perceive the same activities as helpful for the preparation of a project. This difference in how an activity is experienced can also be attributed to the fact that actors are involved solely because they possess means that are considered indispensable by others. If such a party becomes involved in the policy process, it probably will link an ambition to the means it is supposed to donate. This constitutes a formation process.

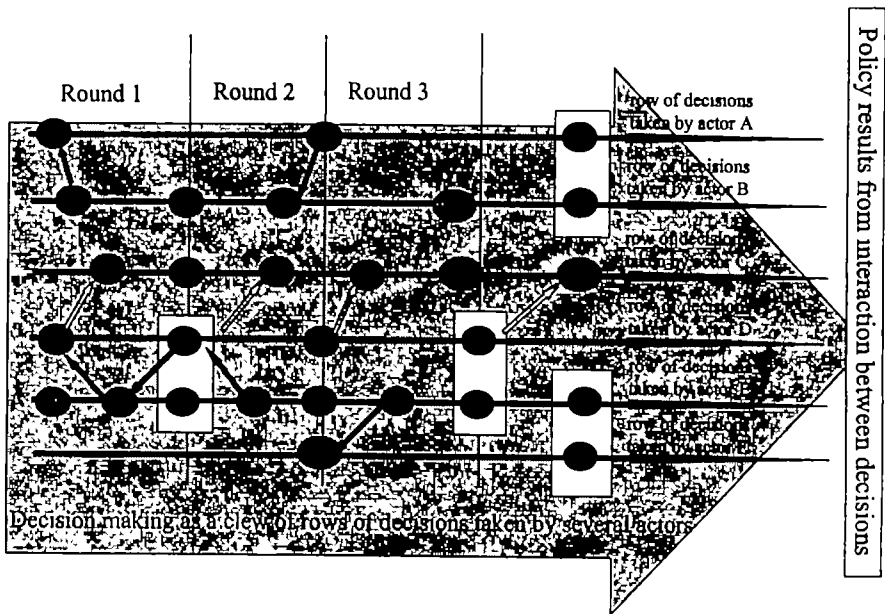
The application of the rounds model yields a picture of decision making, particularly focusing on the ability of parties to handle their dependency on other parties in interaction.

5 A COMPARATIVE ANALYSIS TO HIGHLIGHT THE ADDED VALUE OF THE ROUNDS MODEL

In the previous paragraphs we have examined three models. The phase model provides insight into the subsequent stages a focal actor goes through. The stream model focuses on links between problems, solutions and politics. Finally, the rounds model provides insight into the interaction between actors. Mutual adjustment (by way of co-operation, conflict or avoidance) leads to policy results (table 1).

In order to argue what the added value of the rounds model can be, three themes will be dealt with. The first theme looks at the issue of actors, problems and solutions, the second one deals with policy adoption as a yardstick, event or result and a third one deals with criteria for the evaluation of decision making. Finally, the rounds model will be considered as a useful tool in developing further the governance theories.

FIGURE 4 *The concept of decision making used in the rounds model*



Note: Grey arrow is decision-making, the black dots depict decisions taken by the various actors, and the policy result stems from the interaction between decisions (building upon decision of others <black small arrows>, anticipation upon future decisions <white arrows> and covenanting results <white rectangles>)

TABLE 1 *Comparative perspective on the phase model, the stream model and the rounds model*

	Phase model	Stream model	Rounds model
Criteria for the separation of strands of activities	Stages a focal organization goes through	Different concurrent streams of problems, solutions and politics	Rows of decisions taken by actors, creating rounds through interaction
Characterization of decision making	Sequence of formation, adoption and implementation	Coincidental or organized links between streams	Interaction between decisions taken by various actors
Assumptions about the nature of the process	One moment of policy adoption holds sway over other decisions and guides the process	A simultaneous stream of problems, solutions and politics, linked more or less at random	Decisions that conclude a round and initiate a new round, without fixing its progress
Assumptions about the content of the process	A focal actor adopts a dominant definition of the problem solution, creating governmental policy	Dynamics within and links between streams determine major policy changes	Interdependent actors take decisions separately or jointly, leading to governance policies

Actors, problems, solutions and interactions

It is generally accepted that various actors are involved in decision making. The phase model, however, places certain actors in a more central position than others on an a-priori basis. The rounds model refrains from this pre-occupation. When dealing with complexity, it is not sensible to exclude actors in advance or to assume that certain actors can be characterized on a-priori grounds as policy designers, adopters or implementers. Rather, it is advisable to start out with all (potential) participants who perform in decision making. In the rounds model decision making is not about a single issue, nor about separated streams of problems, solutions and participants, but about dynamic combinations of sets of problems and solutions represented by different actors. Complications in decision making often appear when a solution adopted by one or more actors constitutes a problem for others. Progress is often made when a solution is provided which deals with sets of problems and the ambitions of several of the actors involved. For this reason the rounds model focuses on the *interaction* between actors, during which they can negotiate acceptable combinations of problems and solutions.

Policy adoption, yardstick, event or result

The phase model assumes that policies are set at a certain moment. The stream model assumes that policy steams from an event in which the streams coincide. The rounds model in contrast assumes that this moment

does not exist. Policies result from a series of decisions taken by various actors. The dynamics of combining problems and solutions and the relation between the two accounts for the course of decision making. A round of decision making begins and ends with the adoption of a certain combination of a problem definition and a (virtual) solution by one or more actors. The assumption is that the actors assess to what extent other actors share their definition of reality and proceed to interact on this basis. In contrast to the phase model, none of the definitions are seen as final or permanent. Research based on the rounds model will focus on perceived problems and solutions and will subsequently analyse whether and how actors have managed to combine perceptions to such an extent that they are willing to support a joint solution (Termeer 1993, p. 44, 48–51). Adoption then becomes the consolidation of a problem-solution combination over a longer period of several decision rounds.

Policy evaluation and evaluation criteria, shifting from a government to a governance approach

In the phase model the public interest as defined by the focal organization is often used as a guideline for evaluating. Evaluation focuses on the 'fit' between policy result and policy formulated in advance by the focal organization. The rounds model questions this criterion. Policy intentions at the beginning of a process are not necessarily the best indicator of public interest. It could be argued that a-posteriori opinions and judgements are at least as good an indicator. Secondly, it is assumed that network society as a whole, and the government in particular, are fragmented. As a result, the representation of the public interest is distributed over various parts of government and organizations outside the government. Policy evaluation becomes more meaningful if all these intentions are taken into account in the analysis. A fitting overall concept is joint interest (Teisman 1992, p. 91–2). Evaluation then no longer focuses on the question whether the policy result agrees with a single policy intention, but whether it responds to the objectives of all the parties involved at the moment policy effects can be distinguished.

The shift in orientation from government to governance

By doing so, the rounds model can contribute to the discussion about the shift from government to governance within several scientific communities involved in public administration. In Great Britain, for instance, the Westminster model has been criticized:

The study of British central government has been dominated almost throughout the twentieth century implicitly and explicitly by the Westminster model. Whilst from the 1960s onwards political scientists through behavioural and institutional studies began to question the Westminster model, they remained very much within this paradigm. ...

The Westminster model is built on the assumption that there is parliamentary sovereignty (Gamble in Dunleavy and Gamble 1990; Judge 1993).

'All decisions are made within the authority of the Crown-in-Parliament and there is no higher authority. ... Decisions are taken by Cabinet and implemented by a neutral civil service' (Smith 1998, p. 46). 'The Westminster model prescribed both what government did and the way it was examined. It also provided the agenda for the focus of empirical work on central government' Even though the Westminster model did reflect reality to a certain extent, in the first place it represented a normative view and 'subsequently led to misconceptions about both the nature of power and the location of the focus of research' (Smith 1998, p. 46).

In response to empirical studies by Mackintosh (1977) and Jones (1975), which undermined some of the assertions of the Westminster model, Rhodes (in Rhodes and Dunleavy 1995) suggested a new framework of analysis. This framework should focus on the complex web of institutions, networks and practices surrounding the Prime Minister, Cabinet, cabinet committees and their official counterparts, i.e. the less formal ministerial 'clubs' or meetings, bilateral negotiations, interdepartmental committees, etc. (Rhodes in Rhodes and Dunleavy 1995, p.12). From this insight it was a logical next step to focus on complexity of interactions between actors (Smith 1998, p. 47). Government is depicted as an institutional framework, not as an actor. Governance is about steering without presuming the presence of hierarchy (Rosenau 1992, pp. 14). It refers to relational contracting, organized markets in group enterprises, clans, networks, trade associations and strategic alliances (Jessop 1995). Departments have to be seen as one of many competing centres of authority (Rhodes 1996b).

The same type of discussion is going on in Germany. Here the terms 'Politikverflechtung' (the intertwining of policies) and 'policy networks' are being used (Marin and Mayntz 1991; Scharpf 1997). 'Policy networks are understood as 'webs of relatively stable and ongoing relationships which mobilise and pool dispersed resources so that collective (or parallel) action can be orchestrated towards the solution of a common policy' (Kenis and Schneider 1991, quoted by Börzel 1998, p. 260). And: 'Under the conditions of ... uncertainty and ... overlap of sub-systems, policy networks as a mode of governance offer a crucial advantage over the two conventional forms of governance, hierarchy and market' (Börzel 1998, p. 260). Members of the Max-Planck-School seem to believe in the advantages of networks. 'Networks are able to intentionally produce collective outcomes despite diverging interests of their members through voluntary bargaining' (Kenis and Schneider 1991, and Mayntz 1993, quoted in Börzel 1998, p. 262). At the same time they are concerned about the slowness and occasional inertia of networks.

It is in this perspective that the rounds model must be placed. Consider-

ation should be given to the idea of using the rounds model in empirical research focusing on governance. The model offers a way to reconstruct a basically unlimited complexity of events that can be combined into a decision-making process. This will provide us with additional, more detailed insights into these processes, thereby creating a basis for more management theories about networks (Kickert *et al.* 1997).

6 A THREEFOLD ANALYSIS OF THE BETUWE RAILWAY LINE

In this paragraph a survey will be presented of decision-making processes regarding the construction of a new freight railway line between Europe's largest port, Rotterdam, and Germany. This so-called 'Betuwe line' is one of the most disputed projects of the last decades in the Netherlands. The parties involved have even called it a 'battle'. (Between 1991 and 1997 the project director wrote a book on the subject and gave it the title *The Battle of the Betuwe Line* (Boom 1997).) Despite all the problems and opposition, construction of the railway line is still continuing. Therefore we may consider this a successful decision-making process, in which the ministry, the Cabinet and the Parliament were able to realize a strategic project that fitted in with their policies. At the same time, however, many questions can be raised. The expected growth of freight transport by rail did not take place. It is far from clear whether or not the German part of the line can support the amount of trains needed to make the Betuwe railway line a success. There are no private parties that want to invest in the line or exploit it, even though this was assumed by the Cabinet when the policy was being adopted. Recent studies questioned the positive environmental impact of rail as compared to road and waterways. The costs of the line have risen from 2.5 billion initially to 9.35 billion in 1998. And recently the Transport Minister decided to forgo the Northern branch of the Betuwe line in order to combat any further increase in expenses. A threefold analysis of this case is presented here.

1 Application of the phase model: a central actor, a defined problem and a good solution

In the Netherlands the central government, specifically the Ministry of Traffic and Waterways, is responsible for the planning of new infrastructure. To properly organize decision making, the ministry uses a formal procedure known as the 'Planning Central Decision Procedure' (in Dutch: PKB). At the end of the 1980s the ministry was faced with congestion on existing freight connections from Rotterdam to the hinterland, combined with an expected growth in freight transport. In previous policy memoranda government had designated the distribution sector as a core activity for the Dutch economy. The two Dutch mainports, Schiphol Airport and the port of Rotterdam, should be enabled to function optimally and the main transport lines should be provided with sufficient capacity. The capacity of the hinterland connection could be increased by three alterna-

tive means: road, waterways or a new railway line. Because road traffic was seen as having a negative impact on the environment and transport by water was not seen as a viable option, the ministry decided in 1989 that a new railway link was needed.

The ministry adopted the plan for a railway through the region of the Betuwe in 1989: a freight line due to be realized before 1997. To implement this policy, the ministry set up the necessary procedures to determine its trajectory and its incorporation into the landscape. But while going through these procedures, the ministry encountered opposition from civilians and local authorities. In order to delay implementation regional actors asked for additional studies regarding the possible construction of an underground tunnel. Although the ministry indicated that this was not a realistic plan, the Second Chamber let itself be persuaded into investigating this alternative. This was the signal for other parties to present the Chamber with other new alternatives, such as a deeper construction of the railway line inside a groove. The involvement of Parliament resulted in a considerable series of amendments and an increase in cost. While the first plans were expected to require 4 billion Dutch Guilders, recent calculations have found that the line will cost more than 9 million Guilders. At the end of 1993 the project was adopted by Parliament. Decision making was complicated, however, by the parliamentary elections of 1994. One supporter of the project left the Cabinet and was replaced by someone who opposed the project. To deal with this new situation, the new Cabinet installed a Committee of Experts chaired by a member of the opposition. In January 1995 this committee issued a positive opinion, thus persuading the opposition to revise their point of view. In early 1997 all complaints were rejected by the Administrative Court. The construction work could begin.

2 Application of the stream model: insights into solutions, problems and support looking for each other

The first additional insight is that the solution of a freight railway line had existed long before being placed on the political agenda of the Cabinet in 1989. Already in the early 1980s this idea had been discussed in Rotterdam. Transport to the German hinterland was only possible by road and inland waterways. Road transport was vulnerable as a result of environmental restraints, whilst any growth in water transport was questioned because of its rigid institutional nature. But the attractive third solution, the construction of a freight railway line, could not at that moment be combined with problems and participants at the national level. Years later it was taken up again by the new enterprise responsible for freight railway transport. This organization resulted from the division of the monopolist Dutch Railway Company into two separate companies, one for passengers and one for freight. The latter saw the Betuwe railway line as a solution to its own unprofitable position. The line was defined as a prerequisite for growth of

cargo transport by train. However, there was no link with politics, and in 1988 the Transport Ministry turned down the proposal.

However, suddenly in 1989, the ministry became interested in the solution, even though its characteristics had not changed. An explanation for this can be found within the ministry itself. It was preparing a strategic plan for transport investments in the next decade, and became aware in 1989 that a major key project was lacking in this plan, also other projects were faced with delays. A ministerial committee was set up; this committee advised the minister to adopt the Betuwe railway line. Owing to budget deficits, financial problems remained. These were solved in two ways. Firstly, it was assumed that it would be co-financed by private parties, and secondly it was assumed that exploitation of the line would be profitable. It was this combination of problems and solutions that convinced Parliament in 1993. The policy was adopted.

3 Application of the rounds model: additional insights into internal and external dynamics

In the rounds model attention is paid to streams of decisions taken by several actors. The following groups of actors can be distinguished: the Rotterdam Port Authority, the freight railway company NS Cargo, the Transport Ministry, Parliament, local and national environmental groups, the German Railway Company, and European and German governments. Five different rounds are distinguished. During the first round, which started at the beginning of the 1980s, supporters of the Rotterdam port called for an additional freight link to the hinterland, in addition to the existing roads and waterways. They were the ones initiating the process. The aim was to increase the amount of transport modalities that could be used. They were less interested in the use of rail as such, but rather in increasing the range of options. This idea was discussed locally and shelved after some time, partly because of a negative opinion given by the Chamber of Commerce in Rotterdam. For this reason the first round was terminated, and it seemed as though the proposal had disappeared into a desk drawer for good.

A second round was started in 1987 by NS Cargo. It had been recently separated from its parent, the Dutch Railway Company, and was facing a weak market position. To strengthen its position it proposed to build a line specifically for freight transport. This had not been proposed in the past, for reasons that no powerful actor had been responsible thus far for freight transport by rail. In the former Dutch Railway Company, freight had always been subordinated to passenger transport. At the birth of NS Cargo the railway line had obtained its policy entrepreneur. However, NS Cargo had no legal or financial means to realize the railway line and began a lobbying process. Until 1989 the ministry did not show any interest. In that year, a third round of decision making was begun in which the ministry now played the leading part. The line was placed high on the government's agenda and has held this position ever since. Decision making was speeded

up by the minister, and just one year later a concrete route was proposed and the fourth round of decision making begun. In this round the ministry still played an important role, but was at times outclassed by Parliament. This stemmed directly from the role played by local and regional governments and environmental groups. At the beginning of the process, national environmental groups supported the choice in favour of transport by rail. As a result of the speeding-up of decision making, however, and a total lack of communication with local and regional governments, resistance grew quickly in 1992 and 1993, and national environmental groups felt forced to withdraw their support. The Betuwe line became the Dutch example of a non-communicative central government giving priority to the traditional economy (main port, quantities) instead of the environment and the quality of life, or a more modern type of economy (main port, added value). The ministry rejected all the alternatives presented by the local authorities and other groups in society. Parliament was more flexible, however, and a range of amendments resulted, raising the cost to almost 10 billion guilders. The Betuwe line appeared to have been accepted by the government. The fifth round began with the parliamentary elections and the shift in coalition of the governing parties, already mentioned. More interesting here is that under the surface of party-political manoeuvring, a lot of interaction was going on in terms of financing the project, exploiting the line when ready and creating competing European network of freight railway services. These decisions will be crucial to the success of the Betuwe line.

Several rounds of decision making are yet to come. Decisions need to be taken about financial support from private parties, exploitation of the line, harmonizing European exploitation arrangements, and so on. These decisions will determine whether or not a parliamentary inquiry will be set up in the next century, to answer the question why so much public money was used for something that worked out so unsuccessfully. Thus far, decision making on this issue has already had two important unforeseen but desirable results. The expected competition by the railway has forced the inland waterways shipping sector to make institutional changes and adopt a more competitive approach. This has already led to an enormous increase in inland shipping. Secondly, cargo transport by road is becoming ecologically more sound. Ironically, it is now being argued that both these improvements tend to make the Betuwe railway line superfluous.

7 CONCLUSION

Decision making has become complex during the past decades. There is a growing variety of relevant actors and definitions of problems and solutions. In this article the question is answered of how to conceptualize decision making in order to generate useful insights for the understanding of complexity. Three conceptual models are presented: the phase model, the stream model and the rounds model. In the phase model the focus is on decisions taken by a focal actor, targeting a specific problem. In the

TABLE 2 *Events in decision making on the Betuwe line and a threefold research result*

<i>Empirical events</i>	<i>Interpretations based on the phase model</i>	<i>Interpretations based on the stream model</i>	<i>Interpretations based on the rounds model</i>
The Rotterdam Port Authority proposes a railway link to Germany (1985)	Irrelevant (Ministry did not respond to proposal)	Solution was unable to find a problem and sufficient participants	Start of first round; the port authority aims to increase the range of transport modalities
New enterprise for railway freight transport adopts Betuwe railway line (1987)	Lobbying activity resulting in a ministerial committee in 1989 (still not relevant)	Problem of a lack of profit was combined with the solution of a new line	The start of second round of decision making aiming to create a viable freight train enterprise
A ministerial committee is set up to investigate the viability of the Betuwe line (1989/90)	Minister begins decision making by setting up a committee (starting point for analyses)	The department is faced with a lack of major key projects in its new strategic plan	Start of third round leading to the adoption of the project as part of the strategic plan of the ministry
The minister points out a concrete route (1992), starts PCDP and organizes popular participation	The official start of the central decision planning procedure (policy formation)	Choosing a concrete route was seen by the policy community as a solution to solve the problem of slow decision making	Start of fourth round, aiming to speed up decision making, but actually generating and activating opposition against project
Parliament adopts proposal (1993)	Central decision is taken (policy adopted)	Coupling of problem, solution and participants	End of fourth round
Parliamentary elections resulting in a new Cabinet (1994)	The central decision is reconsidered in a opaque political arena	Second coupling in which new participants introduce new policy definitions	Fifth round helps party to change position and is used by societal groups to get additional proposal accepted
The Administrative Court overrules all written objections (1997)	Official start of construction activities; the implementation really starts	Confirmation of the existing coupling between political, policy and problem stream	In sixth round opponents activate potential coalition in business, criticizing added value of project
The Cabinet decides not to build northern branch of the Betuwe railway line (1999)	Partial policy termination due to new information	New linking of politics with alternative problems or solutions	In seventh round minister is convinced by influential actors that public money is needed elsewhere

stream model the focus is on the linking of three more or less independent streams, i.e. problems, solutions and politics. The rounds model focuses on the interaction between the various decisions taken by different actors. If we analyse reality from these three models, different images of reality are obtained, each of which provides a partial insight into reality.

Thanks to the use of the phase model we now know a great deal about how a single actor defines policy in terms of problems and solutions, policy adoption, implementation and evaluation. Attention is paid to a focal actor, often the central government, and the way in which this central actor organizes its own policy processes. The phase model focuses mainly on the intended policy of this focal actor. This is both its strength and its weakness. The case study on the Betuwe railway line presents a national government that is dedicated to its realization and was able to successfully protect it against attacks from the outside.

The stream model attends the fragmentation of the decision-making world into problems, solutions and politics as separate streams. If these streams meet by chance, progress can be made. Not the intended policy of one actor, but the links between the streams are crucial. The case study shows that different problems were linked to the Betuwe line solution. The lack of alternative solutions was an important reason for this project's being placed on the central government's agenda. New solutions looking for money still are a threat for the project.

The rounds model focuses on the interaction between interdependent actors. Every new actor entering decision making introduces new problems and solutions. Particularly on these points, the rounds model offers a number of additional possibilities to enhance insight into decision making. Not just accepting that there are various actors, but also accepting that all these actors contribute to the decision-making process and can even influence the results helps to understand the complexity and obtain insight into interaction patterns which are used for governance of the network society. The model emphasizes that achieving satisfactory results depends not only upon decisions taken by individual actors but, to an increasing extent, upon the interaction between decisions taken by several actors. By using the rounds model the researcher can analyse the interactions between decisions. All actors involved in governance can benefit from these insights.

REFERENCES

- Altman, J A and E. Petkus 1994 Towards a stakeholder-based policy process: an application of the social marketing perspective to environmental policy development, *Policy Sciences* 27, 37–51.
- Anderson, J 1979. *Public policy making* New York: Praeger
- Anglund, S M. 1999. 'Policy feedback: the comparison effect and small business procurement policy', *Policy Studies Journal* 27, 1, 11–27.
- Boom, H 1977. *Slag om de Betuwe Route* Leuven. Balans
- Borzel, T A, 1998. 'Organizing Babylon – on the different conceptions of policy networks', *Public Administration* 76, 253–73

- Bryson, J.M. and B. C. Crosby 1992 *Leadership for the common good, tackling public problems in a shared-power world*. San Francisco: Jossey-Bass
- Butler, R. 1991. *Designing organizations a decision-making perspective*, London: Routledge.
- Cohen, M.D., J.G. March and J.P. Olsen 1972. 'A garbage can model of organizational choice,' *Administrative Science Quarterly* 17, 1, 1-25.
- Crozier, M. and E. Friedberg 1980. *Actors and systems: the politics of collective action* Chicago: University Press.
- Dunleavy, P. and A. Gamble 1990 *Developments in British Politics* 3
- Edelman, M. 1971. *The symbolic uses of politics: mass arousal and quiescence*. Chicago: Markham Publishers
- Heritier, A., C. Knill and S. Mingers 1996. *Ringling the changes in Europe; regulatory competition and redefinition of the state*. Berlin: De Gruyter
- Hoogerwerf, A. (ed.). 1982 *Public policy, an introduction in the policy science* (in Dutch, title *Overheidsbeleid; een inleiding in de beleidswetenschap*). Alphen a/d Rijn: Samsom Tjeenk Willink. 1985 (3rd edn.); 1989 (4th edn.)
- Jessop, B. 1995 'The regulation approach, governance and post-Fordism', *Economy and Society* 24, 307-33
- Jones, G. 1975. 'Development of the Cabinet,' in W. Thornhill (ed.), *The modernisation of British government* London: Pitman
- Judge, D. 1993. *The parliamentary state* London. Sage.
- Kickert, W., E.-H. Klijn and J. Koppenjan. 1997. *Managing complex networks*. London: Sage.
- Kingdon, J.W. 1984. *Agendas, alternatives, and public policies* Boston: Little, Brown and Company.
- Koppenjan, J. 1993. *Management of policy processes* (in Dutch: *management van de beleidsvorming*). The Hague: Vuga.
- Mackintosh, J.P. 1977. *The politics and government of Britain*. London: Hutchinson
- March J.G. 1988. *Decisions and organisations*. Oxford: Basil Blackwell Ltd.
- March J.G. and J.P. Olsen. 1976 (1st edn.), 1979 (2nd edn.) *Ambiguity and choice in organisations*. Bergen: Universityforlaget.
- Marin, B. and R. Mayntz (eds.). 1991 *Policy networks; empirical evidence and theoretical considerations* Frankfurt am Main: Campus Verlag
- Mintzberg, H. 1973 *The nature of managerial work* New York: Harper and Row.
- 1976. 'Planning on the left side and managing on the right,' *Harvard Business Review* 54, 49-58
- Mintzberg, H., D. Raisinghani and A. Therot 1976 'The structure of unstructured decision processes,' *Administrative Science Quarterly* 21, 2 (June), 246-75
- Morgan, G. 1997 (2nd edn.). *Images of organisation*. London: Sage
- Ostrom, E. 1990. *Governing the Commons the evolution of institutions for collective action* Cambridge: Cambridge University Press
- Rhodes, R.A.W. 1996a 'Governing without governance order and change in British government' Inaugural Lecture, University of Newcastle, 18 April
- 1996b 'The new governance. governing without government', *Political Studies* 44, 652-67.
- Rhodes, R.A.W. and P. Dunleavy (eds.) 1995. *Prime Minister, Cabinet and core executive*. London: Macmillan.
- Rittel, H.W.J. and M.M. Webber 1973. 'Dilemmas in a general theory of planning', *Policy Studies* 4, 155-169.
- Rosenau, J. 1992. 'Governance, order and change in world politics', in J.N. Rosenau and E.-O. Czempiel (eds.), *Governance without government* Cambridge. Cambridge University Press
- Sato, H. 1999. 'The advocacy coalition framework and the policy process analysis: the case of smoking control in Japan', *Policy studies journal*, 27, 1, 28-44.
- Scharpf, F. 1997. *Games real actors play; actor-centered institutionalism in policy research*. Boulder USA: Westview Press.
- Scharpf, F., B. Reissert and F. Schnabel 1998. 'Policy effectiveness and conflict avoidance', in K. Hanford and F.W. Scharpf (see above)
- Smith, M.J. 1998. 'Reconceptualizing the British state: theoretical and empirical challenges to central government', *Public Administration* 76, 1, 45-72.
- Smith, M.J., D. March and D. Richards 1993. 'Central government departments and the policy process' *Public Administration* 71, 567-94
- Telaman, G.R. 1992 (1st edn.), 1995 (2nd edn.), 1998 (3rd edn.). *Complex decision-making, a pluricentric view* (in Dutch. *Complexe Besluitvorming*) The Hague: Vuga

Teisman, G.R. (with E.-H. Klijn) 1997 'Strategies and games in networks', pp. 98–118, in Kickert *et al.* (see above)

Termeer, C. 1993 *Dynamics and inertia in manure policy* (in Dutch: *dynamiek en inertie in mestbeleid*) The Hague. Vuga

Date received 4 June 1999. Date accepted 8 February 2000.

PUBLIC MANAGEMENT

GROUPS AND GROUPWORK IN PUBLIC ADMINISTRATION

LYNTON ROBINS AND JOHN GREENWOOD

For a variety of reasons there has been a greater emphasis upon groupwork in British higher education in recent years. The intensified focus by regulators upon teaching quality has resulted in tutors using small groups to confirm that students have acquired the necessary skills and knowledge, and that the formal learning outcomes have been achieved, as a result of their lectures and other teaching methods. Others in higher education have been concerned that widening access and the resulting larger lecture groups require compensating student support which can be provided in small group situations. Others still feel that modularity and semesterization – now widespread in British higher education – limit the volume of material that can be delivered through lectures, and limit also the contact between lecturer and student also requiring compensating support through greater use of small group learning. Finally, it is increasingly felt that the learning environment of group work is best suited to the development of specific skills now demanded by employers: for example, ability to work in a team, problem-solving, creative thinking and leadership. This paper explores the use of the group as a teaching/learning device in public administration education, and reports on the findings of a survey into the use of groupwork by public administration educators in nearly twenty countries.

In the general sense, the whole class comprises a group but in the context of teaching the term generally refers to a subdivision of the class. The use of groups in higher education has long been established in the form of seminars and tutorials. The idea of groupwork, however, is relatively new. Whereas traditional seminars may still remain in the shape of tutor-led

John Greenwood is Professor and Lynton Robins is Public Administration Co-ordinator in the International Public Administration and Management Unit at De Montfort University, Leicester.

Public Administration Vol. 78 No. 4, 2000 (957–965)

© Blackwell Publishers Ltd. 2000, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

means of delivering the curriculum, groupwork implies a higher level of activity and participation by students together with a greater variety of tasks. Typical of groupwork are tasks focusing on games, simulations, role playing, action learning of various types, buzz groups and experiential exercises.

The distinction between 'seminars' and 'groupwork' is one which generally separates conservative from progressive teaching styles, and is encapsulated by the differing approaches of Wood and Moran (1994) and Brown and Knight (1994). Wood and Moran acknowledged that teaching politics in small groups has changed in response to the advent of mass higher education in Britain, but nevertheless they continued to see the small group as the setting for teacher-directed activities. Their focus is on instruction and teaching rather than on participation and learning. Indeed, they advise that group activities should be highly structured and warn that 'diverting from those rules is occasionally constructive, but continual spontaneity creates uncertainty, even anarchy, and is best avoided' (p. 89). In contrast, a progressive application of groupwork is described by Brown and Knight in their account of 'mini-enterprises' which 'are most appropriate to programmes which are engaging students on aspects of commercial life' but which also increasingly include 'aspects of public sector activity' as public-private sector practices come closer together (p. 81). Mini-enterprises, which involve students working in groups in order to pursue business activities, would typically be conducted extra-murally and not under the immediate direction or control of academic staff. Brown and Knight acknowledged that most if not all the groupwork would be unseen by academics, with student experiences largely undocumented and with some student achievements being ones which their university courses had bypassed. Whilst, therefore, it may not be possible formally to assess student performance on mini-enterprises, the contribution made through participation, skills development and problem solving could be acknowledged and recorded through accreditation of prior learning mechanisms.

Academic interest in groupwork, as opposed to groups, increased during the 1970s. Reynolds (1994, p.9) saw groupwork as a flexible strategy which resulted in greater learner autonomy as well as facilitating 'deep' learning (the quality of understanding and intellectual engagement that comes from doing) as opposed to 'surface' learning (based more on memory and rote). It was argued that the experience of higher education would be enhanced in terms of quality and utility if it mirrored the familiar basic group structure found in the family, society at large and crucially, in the world of work. In British public administration education, much emphasis was put on groupwork as a means of developing both co-operative and leadership skills in preparation for service in the public sector. Rather than attempt to absorb relevant theoretical aspects of social psychology or organization theory from the classroom teacher, it was argued that students' knowledge and skills should be 'real', as they would be if grounded in the experience

of handling others in the group. Some public administration educators believed that the educational experiences of students could be improved by breaking down the barriers between 'expert' teachers and 'passive' learners. One means of achieving this was greater use of groupwork where the educator exchanged the autocratic role of 'custodian of knowledge' for the more egalitarian one of 'facilitator of learning' (Reynolds 1994, p.9).

More recently, interest in groupwork has been expressed by some in higher education interested more in reducing costs rather than in raising quality. However, as Brown and Knight commented, it is a mistake to assume that groupwork and its associated assessment will necessarily reduce the workloads of academic staff, a sentiment expressed by many of the respondents in our survey. For whilst, for example, peer assessment can save time towards the end of the course, 'this is by no means a simple equation because the energy and effort involved in ... peer assessment tends to be "front-loaded"' (p.58) (i.e. uses tutor resources much earlier in the academic session than with normal assessment in the form of terminal examinations). Groupwork frequently consumes more time than traditional whole class teaching on the part of both academic staff and students and it is generally agreed that the benefits it confers are concerned with improving the educational experiences of students rather than reducing their unit cost.

THE SURVEY

Our interest in groupwork was initially stimulated by a study visit to the Community Development Training Institute in Rhode Island, USA. This organization provides training to local government and voluntary bodies in such areas as economic and community development. The small group training sessions which we attended were concerned with participants from minority communities learning about the opportunities and limitations of their local political and economic environment when it came to entrepreneurial and small-scale business behaviour. Groups acted out drama-based case studies and were forced into working out alternative ways forward with success based as much on each group's level of commitment and confidence as on skill. We felt that this groupwork provided experiences of far greater intensity, even excitement, compared with the groupwork we had observed in Britain, including our own efforts at constructing simulation exercises (Robins and Greenwood 1998). We were keen to learn the extent to which, if any, fellow public administration educators both at home and abroad were using groupwork as a teaching and learning strategy. Why might some shun the use of groupwork altogether whilst others advocated its greater usage? What sort of groupwork was taking place, the conservative seminar typical of the traditional university or the progressive activity we had witnessed with non-traditional students?

A questionnaire¹ was sent to 293 public administration educators drawn from a data-base combining membership lists of the International Associ-

ation of Schools and Institutes of Administration (IASIA), academic directories as well as personal contracts. Of these 102 (34.8 per cent) replied. The breakdown of respondents by country was as follows: Argentina (2), Australia (5), Bangladesh (1), Brunei (1), Canada (1), Finland (2), Hong Kong (6), India (6), Malta (2), Netherlands (3), Nigeria (1), Poland (2), Saudi Arabia (1), South Africa (12), Sweden (3), United Kingdom (9), USA (43), Venezuela (1), and Zimbabwe (1). Predictably, over 40 per cent of our respondents were drawn from the USA, reflecting the fact that public administration is widely taught in American universities particularly at Master's level. We make no strict methodological claim about our findings representing the global or even mainly English-speaking community of public administration educators, but feel that our respondents cover a reasonable diversity of opinion and experience concerning the use of groups and groupwork. Unfortunately, at this stage in the research we have been unable to analyse responses by different countries of origin, and we offer a note of caution that our findings may reflect developments in just a few of the main countries from which respondents were drawn. For example, over half of our responses were drawn from just three countries: Australia, USA and the United Kingdom.

We do, of course, recognize that national and cultural issues are highly significant in an international survey such as this, not least because the teaching traditions in British universities may differ from those which prevail in many other countries. The British tradition of small group teaching, for example, was developed on the basis of the individual tutorials used in Oxford and Cambridge. Consequently, small group teaching in the form of seminars has always been general practice in British universities, especially in the Arts and Social Science subjects. By contrast, most universities on continental Europe, as well as in the USA, have traditions of whole class teaching using lectures, with relatively little contact between individual students and their tutors – indeed, in Germany such contact is especially difficult as students are only allowed to speak to their professors in time specifically made available for this purpose. Some countries, for example Canada, seem to have been influenced by both traditions. Nevertheless, there are contemporary developments which may be bringing these varied practices closer together. For example, while the Oxbridge inheritance of small group teaching has been adopted by much of British higher education, many of the new universities and colleges of higher education never enjoyed sufficient resources to implement fully small group teaching methods; indeed, the Oxbridge-type individual tutorial is largely unknown in recent times outside Oxford and Cambridge itself. At the same time some of those countries which have rarely used small seminars now resort to the greater use of small group teaching, especially for IT and other skills development classes. For example, the authors observed highly innovative small group teaching using interactive technological applications in a prob-

lem-solving format in one highly prestigious school of public policy in the USA (Davies, Greenwood and Robins 1995).

We felt unable to define what we meant by 'a group' or 'small group' in terms of size and left this to be decided in the context of each institution surveyed. We were aware that the number of students which comprised a group in one institution might be greater than the whole-class size in another. Indeed, within our own institution, a 'group' in the 1990s is only marginally smaller than a 'class' of the 1980s. Nor did we wish to prescribe the activities which qualified as 'groupwork'. Although we made provision in the questionnaire to distinguish between traditional seminars and more innovative groupwork, we did not wish to exclude the former.

We found that only 11 per cent of respondents never used groups. The most cited reason (9 per cent of sample) was because they were seen as inappropriate for the specific curriculum being taught. Written comments mentioned technical barriers to groupwork; distance learning, paucity of resources or that it was too time consuming. We could detect no ideological opposition from public administration educators to groupwork as such, although the view was expressed that groups changed the power structure of classrooms and could result in students attempting to control teachers. The predominant view expressed in the open-ended section of the questionnaire was pragmatic caution. There were benefits in organizing classes into groups but it was not a 'soft option' for teachers since successful groupwork made demands on time and organization. Public administration educators who put inadequate resources into preparation risked educational disaster and 'turned off' students. From our findings, it seems that those who decide against adopting groupwork do so because of practical barriers, limited success with groupwork in the past and the calculation that greater success for them lies with whole class methods. None declared that they were opposed to using groups in principle.

Forty per cent used groups 'fairly frequently' or 'almost always'; 14 per cent used them 'about half the time'; and 37 per cent used them 'occasionally'. The literature on higher education asserts that there has been an expansion of groupwork generally and we feel that our findings help confirm this view specifically about public administration education. Although we did not request detailed timetable information from respondents, around half the public administration curriculum in the countries surveyed would appear to be delivered in groups of one kind or another.

In exploring why public administration educators were using groups, three reasons were cited significantly more than others. We thought that reasons behind the choice of using groups were complex and so respondents were not confined to identifying one single reason. Almost a third of responses mentioned 'motivational' reasons concerned with the efficiency of learning, with around 20 per cent each identifying 'educational' reasons such as a preference for student-centred approaches, and the personal development of students. A variety of comments were written in, men-

tioning the importance of skills development and problem-solving in the context of the group as well as the similarity of teaching groups to groups in the world of work.

We asked respondents about the activities which the group tackled. A third of the respondents indicated the use of 'discussion groups' which we had planned to be equated in our questionnaire with the traditional seminar as discussed above with reference to Wood and Moran (1994). The initial impression, then, is one of public administration educators, comprising a fairly conservative educational community, given that the most popular usage of teaching groups is the traditional talk-based, teacher-directed seminar. However, this impression is misleading because about one quarter used groups for simulation and role play; 10 per cent for developing technical skills; 12 per cent for business management games and 14 per cent for experiential learning. From this perspective, well over a half of all groupwork types used are those which may be labelled 'progressive'. Appropriate written-in responses identified uses of groupwork for activities such as 'virtual groups over e-mail', 'action learning' and 'case study presentation'.

We had second, and still unresolved, thoughts about developing computing and IT skills in groups. It was pointed out to us that small numbers of students may give the outward appearance of working together in small groups in computer labs. In reality, however, there may be little or no interaction between members of the group since the focus of their work is on the individual development of particular skills. The opportunity is present for students to learn from one another but they could learn just as easily from consulting a well-written manual or from the teacher overseeing the lab session. Nevertheless, even if this 10 per cent response is placed to one side, the picture that emerges is one of public administration educators using a mix of conservative and progressive groupwork strategies, with the emphasis somewhat on the latter.

When asked about the effectiveness of groupwork, respondents mentioned the acquisition of knowledge, skills and personal confidence on the part of their students with greatest frequency. Interestingly, however, 14 per cent mentioned groupwork as an effective means of dealing with 'emotions and feelings'. We included this response category to reflect the literature on groups (see McLeish *et al.* 1973, p.108) and did not anticipate this level of response regarding public administration groups. There were no written comments which gave clues as to why emotions and feelings were effectively dealt with in groups. Our speculation dismissed possible situations defined by gender or ethnicity in favour of an explanation which made sense locally. Whilst many small groups involve graduates, many also involve undergraduates whose counterparts ten years ago would not have contemplated university education. It seems reasonable to argue that many of these students drawn in by the recent expansion of higher education experience various anxieties and emotions which the interaction

within groups helps to resolve. Whilst our students do not cry and hug each other, the group is the common setting for human relations therapy (and, arguably, an increasingly important one in an environment such as the UK where steadily rising SSRs (staff-student ratios) have reduced contact between staff and those students who might be seeking emotional help and guidance). In the absence of detail provided by respondents, we offer this as a provisional interpretation of the data.

We asked public administration educators whether or not they found student groups a reliable method of teaching. Nearly 16 per cent agreed that they found the performance of groups unpredictable from one class to another. On the other hand, 39 per cent found them 'fairly consistent' and 34 per cent found them 'very' or 'always' consistent.

We were interested to learn which factors contributed to the success or failure of groupwork. The most frequently cited reasons for successful groupwork were the personal enthusiasm of teachers (27 per cent), students' enthusiasm (24 per cent), successful teaching method for the particular subject (24 per cent) and satisfactory resources (21 per cent). Written in comments mentioned the novelty of groupwork for students (although our survey found it commonplace); the 'chemistry' of group interaction, suggesting that teachers do feel that students behave differently in groups than they do as individuals; and the thoroughness of preparation and clarity of purpose of groupwork sessions. The most cited reason for groupwork failure was the stubborn passivity of some students who failed or refused to participate meaningfully in group activities. This can be countered by one written comment which stated that groupwork put too high a premium on verbal activity and leadership and continued to argue that students still benefit from groupwork despite their passivity in the group. The second most cited reason for groupwork failure was the presence of disruptive personalities within the groups.

We were interested in the general direction of group dynamics set by public administration educators. Did they use inter-group rivalry as an incentive to perform, did groups co-operate and share findings, or did they work independently in the main? Respondents could respond in more than one category if appropriate. The most popular means of organization, both cited around the 37 per cent level, were co-operation and independence. Only 19 per cent used competition between groups as motivation for improved student performance.

Finally, we invited respondents to write in comments as they saw fit. A number of interesting comments were received ranging from 'students gain more experience in communication skills which are an integral part of being a civil servant' to 'there are a number of constraints within the classroom, e.g. the chairs and desks cannot be moved around to form circles and groups'. One respondent observed that groupwork 'is not a remedy for pedagogical problems – to be successful it needs careful integration with some lecturing, simulation and individually based assignments. Group

work content is also critical and is context dependent and must reflect teaching objectives'. Others pointed out that groupwork was more successful with mature students than with undergraduate classes. The pragmatic approach to using groups was reflected in several contributions, making the point that groupwork should be used flexibly and applied only to appropriate tasks. Earlier themes were amplified, with respondents stressing the need for detailed preparation before groupwork sessions and stressing that not all students warm to the prospects of yet another groupwork session.

CONCLUSION

Our survey found that within responding institutions the public administration community delivered much of its curricula to students organized into groups of one sort or another. Furthermore, public administration educators are organizing classes into groups for more purposes than the functioning of the traditional seminar. Many of our findings regarding group work activities in public administration education were consistent with findings regarding higher education in general. For example, as with the wider higher education community, public administration tutors undertook groupwork for a variety of reasons. Whilst some saw groupwork as no more than providing a practical means for checking students' progress, others believed that participation in groupwork activities helped to produce students with specific skills and orientations. However, particularly pertinent to public administration and the preparation of students for public/third sector employment was the finding that most tutors used groupwork to develop the co-operative ideal with only a minority using groupwork in a competitive context to improve performance.

Tutors generally agreed that groupwork was a risky enterprise and some opposed it on the grounds that small groups could develop into pressure groups which might then demand increasing influence in determining the curriculum. Other tutors recognized risk in terms of the educational experience itself: merely delivering education in a small group context gives no guarantee of success. Small group work required extra resources and was felt generally to be worth such risks because if successful the educational benefits which followed were those which were not available from whole class teaching. Nevertheless, because of the experience in some instances of failure, and the continued element of risk, some tutors preferred to remain with whole class methods of delivery.

Groupwork, then, appears to satisfy a wide set of demands emanating from the teaching situation. We concluded that the broad picture simply confirms the more widely expressed view that groupwork is a 'complex piece of social behaviour' (Douglas 1978, p. 174) and that we had trawled in some of this complexity in our questionnaire responses.

ACKNOWLEDGEMENT

The authors wish to express their thanks to De Montfort University for a small grant which made this study possible, and to two anonymous referees for their helpful comments upon our first draft.

NOTE

1. A copy of the questionnaire is available on request from Prof. J.R. Greenwood, International Public Administration and Management Unit, De Montfort University, Scaptoft Campus, Leicester LE7 9SU.

REFERENCES

- Brown, S. and P. Knight. 1994. *Assessing learners in higher education*. London: Kogan Page.
- Davies, M.R., J.R. Greenwood and L.J. Robins. 1995. 'Public administration education and training: globalization or fragmentation?', *International Review of Administrative Science* 61, 1.
- Douglas, T. 1978. *Basic groupwork*. London: Tavistock.
- Jacques, D. 1992. *Learning in groups*. London: Kogan Page.
- McLeish, J., W. Matheson, and J. Park. 1973. *The psychology of the learning group*. London: Hutchinson.
- Reynolds, M. 1994. *Groupwork in education and training: ideas in practice*. London: Kogan Page.
- Robins, L. and J.R. Greenwood. 1998. 'The politics teacher: once resourceful, now well resourced', *Parliamentary Affairs* 51, 1, 101-9.
- Wood, B. and M. Moran. 1994. 'The engine room of instruction: small group teaching', *Politics* 14, 2, 83-90.

Date received 12 October 1998. Date accepted 4 May 2000.

Public Money & Management

Integrating Theory and Practice in Public Management

Published by Blackwell Publishers Ltd for the Public Management and Policy Association

Edited by Francis Terry

Public Money & Management is a popular quarterly review of policy and management issues in the public service and regulated industries. Authoritative and independent, the journal is essential reading for public sector managers, and consultants; and academics and students with interests in politics, public policy and management, economics and government. Each quarterly issue of *Public Money & Management* includes viewpoints (opinions and comments on topical issues); a group of articles commissioned around a theme; freely submitted development articles; and reviews of official reports. The journal contains a mix of articles by practitioners and academics; theme and development articles are refereed (by both an academic and a practitioner); and contributions are edited to ensure that they can be understood by non-specialists in that particular field. *Public Money & Management* is one of the few publications that really brings research and practice together and looks to join up government.

Public Money & Management ISSN: 0954-0962. Volume 20 (2000) contains 4 issues.

**A library subscription to the print volume
entitles readers to:**

Free access to full text articles online

Free copying for non-commercial course packs

Free access to all available electronic back volumes

Special terms are available for libraries in purchasing consortia.

Contact e-help@blackwellpublishers.co.uk

**BLACKWELL
Publishers**

108 Cowley Road, Oxford OX4 1JF, UK
350 Main Street, Malden, MA 02148, USA
jninfo@blackwellpublishers.co.uk

Visit our website for contents listings, abstracts, samples, and to subscribe

www.blackwellpub.com

BETWEEN ORGANIZATIONS AND INSTITUTIONS. LEGITIMACY AND MEDICAL MANAGERS

GORDON MARNOCH, LORNA MCKEE AND NICOLA DINNIE

INTRODUCTION

This article focuses on how the National Health Service, as a major public service organization, operating in a dynamic environment and utilizing complex processes of human interaction to deliver health care, creates and manages legitimacy. During the late 1990s the NHS embodied a particular series of changes which demanded novel responses from managers, clinicians and service users in relation to governance and professional standards. Most challenging of all are the attempts being launched to exert influence over the organization and management of clinical services, through clinical governance systems which create 'shared forums' for quality improvement (Scottish Office/Department of Health 1998). The emphasis here is to draw upon theoretical constructs of legitimacy and discourse as organizing schema for making sense of such change processes. The role of doctors who assume managerial duties will be examined as a prominent feature of the reform programme.

The problem of sourcing, building and maintaining legitimacy in the NHS is viewed through the new medical managers' representations of their role in the devolved management structures of the NHS in the 1990s. The new medical managers are clinicians who take on a management position within NHS trust organizations. As argued elsewhere the NHS has been for the first fifty years of its life, essentially a federation of professional tribes, each with their own social practices and inclination to attach different subjective meanings to health care processes (Hunter 1994). The new medical managers are seen as occupying a position between the organization that is the NHS trust and the profession-based institutions. Their part in creating an integrated corporate form of legitimacy is of some importance for the NHS in the next century. The developments under examination may signal a radical departure from earlier organizational practices, which relied

Gordon Marnoch, Lorna McKee and Nicola Dinnie are all in the Department of Management Studies at the University of Aberdeen.

on finding accommodations between professional tribes, whose insistence on high levels of autonomy was normally tolerated.

THE NHS AND LEGITIMACY

The NHS has traditionally relied on strong sources of societal legitimacy, derived from the extent to which its patients, employees and the public at large were persuaded of the integrity of familiar values and processes. In part, legitimacy was derived from the role played by professionals. Hogg (1999 p. 7) writes that 'doctors are expected to be experts, adhere to high ethical standards and not make mistakes'. However, the raw evidence contained in electoral surveys, also consistently demonstrates public support for the National Health Service as an organization. Nigel Lawson, a prominent politician of the right during the 1980s, described the NHS as the nearest thing the British had to a national religion (Timmins 1996, p. 453). In short, the NHS has seemed to deliver health care in the 'right way' and has, more than any other organization, fulfilled the principles of the post-war settlement struck by Labour in the late 1940s. It has been an organization, which has been capable of sourcing legitimacy from well-established social and organizational processes.

However, organizational legitimacy is a relative rather than absolute phenomenon, which requires mending and regeneration over time. It is clear that new technologies, treatments, modes of delivery, care settings and treatment philosophies are emerging fresh into the NHS at a rate which can challenge the basic principles of the UK health care system and its public legitimacy (Harrison, Dixon, New and Judge 1997). This is not a problem unique to the NHS but is rather a worldwide phenomenon. Shortell for instance believes US health care is in a state of 'hyper-turbulence', with the institutional legitimacy of the American hospital being 'shaken at the core' by changes in payment systems, delivery systems, use of technology, professional relations and societal expectations. (Shortell, Gillies and Devers 1995). In the UK, health care planning 'rationality' is subject to major change (Harrison and New 1998, pp. 67–70). Hospital planning certainties established in 1960s, for example one district general hospital to every 100,000 patients (Ham 1999, pp. 88–9), are breaking down, as exemplified by the readiness of professional bodies to discuss openly major reconfiguration of hospital services. The Royal College of Physicians for example, declared itself to be in favour of closing up to one-third of all hospitals in England over the next ten years (*The Observer* 1999). This issue of organizational legitimacy has been recognized elsewhere in the literature on health care organization and management (Harrison, Barnes and Mort 1997, pp. 5–6). The managerialism of the 1980s and 1990s while tightening up aspects of health service organization would appear to have failed to deliver a new source of legitimacy in the form of performance accountability and service quality assurance. While the NHS may indeed be better managed, this is not the perception held by the public or by many NHS

staff, indeed it may even be true that the legitimacy bestowed upon the NHS in the past has been weakened by these changes.

It would be dangerous to conclude that the new public management introduced to the NHS is itself the cause of declining legitimacy; rather it should be acknowledged that a complex mix of social forces are at work. Learmonth (1997) has explored the issue of public criticism of NHS managers more fully, drawing attention to the problem of finding a form of management deemed to be 'appropriate' by an increasingly hostile public. Also it is widely accepted that in general the public exhibit less deference to professionals with whom they come into contact. While doctors may retain the ability to exert social authority over other professionals, they are also in the position of losing cultural authority in the sense that their definitions of reality and clinical decisions will not remain unquestioned by patients (Elston 1991; Harrison, Hunter, Marnoch and Pollitt 1992, pp. 1–19). The concept of the 'passive' patient awaiting the doctor's intervention is said to be increasingly redundant in the real world of medical practice (Jacob 1999, pp. 207–8; Williamson 1992, pp. 59–69); a view expressed by many of our respondents in the current study. A substantial literature exists on the subject of lay beliefs and non-compliance with medical advice (Williams and Popay 1994, pp. 118–39). The social processes associated with NHS provided health care, are doubtless subject to greater personal inquiry and scepticism than would have been the case in earlier decades, as identified by the Wilson Committee in its review of NHS complaints procedures (Pickersgill 1997, pp. 7–13; Hogg 1999). These factors tend to become intertwined when the general condition of legitimacy is considered but can be expected to contribute to the public's sense of satisfaction with the NHS and health care provision. Mulligan (1998, pp. 200–1) reviewing *British Social Attitudes Survey* trends, records declining public confidence in the NHS. For example, 'dissatisfaction' rose from 26 per cent to 50 per cent between 1983 and 1996. At the same time, while 37 per cent of respondents rated health as the number one priority for extra public spending in 1983, this had risen to 54 per cent by 1996. Continuing party political criticism of management arrangements feeds and draws from this ambiguous relationship which has developed between the public and the NHS. Simple cause-effect conclusions should be resisted. Kneeshaw (1998, pp. 137–51), for example, has identified the paradoxical situation which exists between recorded levels of dissatisfaction with waiting times and actual waiting times in respect of out-patient services and casualty. Judge and Soloman (1993) have also drawn attention to the complex relations between public opinion, political context and media influence. The 'serenity' factor, a sense of public confidence and contentment in the health care service, identified by Bevan in the 1940s, has been undermined (Hennessey 1993, pp. 133–34). Over the past fifteen years it is likely that the adversarial nature of British politics concealed an emergent legitimacy problem, with both the electorate and opposition parties alternately ready to attach blanket blame on the Conservatives

and their health care policies for perceived shortcomings in the way in which health services were being delivered. Both the public and the health care professions exhibit weakening trust in the organizational processes of the NHS at a time when more effort is being devoted to collecting and making available more supposed 'consumer friendly' service data than ever before. While at the same time utilizing more sophisticated systems of corporate governance than in any previous era. The inverse relationship between organizational activity devoted to what can be interpreted as exercises in legitimacy building and actual levels of legitimacy achieved has become apparent (Ferlie *et al.* 1996, pp. 197–9). While the NHS cannot be said to be in general crisis as a consequence of the factors described above, the capacity of the systems and processes to consistently generate legitimacy is impaired, implying an impending issue of sustainability.

This article seeks to address two key questions:

- (1) What type of contribution do new medical managers make to the development of health services organization and to what extent do they provide a new source of legitimacy.
- (2) What types of discourse are typically available and used by medical managers in making sense of the roles and responsibilities they have assumed?

THE NEW MEDICAL MANAGERS, DISCOURSE AND LEGITIMACY

Legitimacy although dependent on a range of factors of a political, technological and administrative nature, requires the verbal reasoning, explanation and argument of discourse to be activated as a management resource. At the simplest level, discourses are systems of knowledge which 'codify techniques and practices', expressed in dialogue, either verbal or in text or both (Harvey 1989, p.45). In a review of the differing definitions of discourse developed in the work of leading cultural theorists, Macdonnell (1986) notes that it is a common focus on the institutional nature of discourse which binds these contributions together. It is the linkage between different institutions and social practices in the development, maintenance and circulation of discourses which is of interest in this present study (Mills 1997, pp.6–12). Managers and clinicians although employed by the same organization – the NHS trust – also belong to professional and specialty-based institutions. In common usage the terms organization and institution are generally used interchangeably. However, in the present study, NHS organizations comprise budgets structures, hierarchies, roles and rules, while institutions refer to the profession-based social constructs influenced in character by conceptions of interest, consciousness, conventions, routines, habits, formal organizational rules and informally and voluntarily constructed rules, cultural beliefs and patterns of cognition (Scott 1995, pp.xv–xiv).

The discussion which follows, addresses the impact on organizational legitimacy made by a new class of NHS organizational players – the clinical

directors – whose identification with ‘corporate’ NHS trust organization may be tempered by a stronger sense of ‘belonging’ to professional/specialty-based institutions. Analysis is based on interviews with clinical directors in which they discussed management as a social practice and gave us an insight into the subjective meanings placed on the roles and responsibilities they have assumed in the contemporary NHS. The impact of the ‘clinicians into management’ policy in shifting the discourse into an arena where mutual understandings and terms of reference are shared by lay managers and clinicians alike, is considered through reference to dialogues recorded with clinical directors, chief executives and business managers. The intention is to view the role they are playing, through a form of discourse analysis which identifies their relationship to sources of organizational legitimacy.

In establishing the context of this exercise it should be noted that the NHS has traditionally been controlled through two quite distinctive types of order. The first has its origins in Treasury rules, ‘comptrol’ and principles of public probity (Marnoch 1996, pp.1–25). A predominantly ‘administrator dominated discourse’ allowed government to legitimize a particular process of resource allocation in the health care policy area. A second type of order evident in the NHS relied on principles of ‘professional control’ embedded in clinical practice. This activity in turn produced its own often apparently separate and distinctive discourse. A third discourse was also required whereby problems unresolved in either administrator or clinical domains could be engaged. Generally this third arena of discourse would be dominated by the higher level lay administrators and doctors with training in the branch of medicine referred to in the UK as ‘public health’. In effect it was possible to discern three distinctive ‘interpretative communities’ or institutions, each with their own distinctive positions and associated dialogues (Kumar 1995, p.131). Corporate-based organizational discourse as such did not exist, in the sense of there being a flow of interweaving dialogues carried on between the three types of NHS staff discussed above. The NHS it appears, is not unusual in this respect when comparisons are made with other health care systems. A recent study by Degeling, Idema, Hill, Kennedy and White (1998) places a great deal of stress on the evidence found to support the existence of powerful professional sub-cultures in hospitals located in both Australia and England. Cultural values such as ‘reciprocity, loyalty, trust and solidarity’ are thought to ‘render medical clinicians unavailable to the individualising and disciplining strategies which characterise management practice in commercial and industrial settings’. The extent to which the NHS embraces a complex mix of professional and managerial sub-cultures and the manner in which separate discourses emerged over time, reflects a lack of inclination on the part of government to challenge professional autonomy. The subject of ideological conflict in the NHS consequently is a well-established research subject (Harrison *et al.* 1992; Currie 1997). Research analysing the obstacles to cultural change in

the NHS is also common (Hill and McNulty 1998; Shafi and Munro 1998; Currie 1998). In broader terms, a debate continues as to the credibility of management driven 'culture change'. In a seminal article on this subject, Meek (1988) took a critical view of the propensity for the 'culture management school' to treat the norms, values and beliefs of organizational members as malleable variables in the hands of effective managers. Meek's conclusions seem particularly apt in relation to health care organizations where powerful well-established sub-cultures exist. For example, attempts to corporatize hospital organization may be seen as rational when derived from a management-dominated discourse but alternately might also be seen as the politically driven removal of 'medical ascendancy' over other clinical groups when observed from the viewpoint of either doctor or nursing-based sub-cultures (Degeling, Kennedy, Hill, Carnegie and Holt 1998, pp. 253-70). There is no presumption in this article that culture is 'manageable', nor is there an attempt being made to treat discourse as something which is staged and directed on management's terms. Nevertheless discourse is a contributing factor to the evolution of organizational culture/sub-cultures and in the case of the NHS was 'influenced' by contextual factors such as the managerialist informed policies followed by government in relation to the NHS. Certainly from the mid-1980s attempts were being made to centre the organization of the NHS around a single management dominated discourse. That the impact of this 'influence' was unpredictable in respect of fostering common organizational aspirations goes without saying. The managerialist and then market-dominated eras failed to impose an ideology or 'mindset' on the terms upon which discourse took place in the NHS. This had major consequences for organizational legitimacy.

Legitimacy is achieved when practical activities are ascribed a 'normative dignity' through their accordance with prevailing social norms (Berger and Luckmann 1967, p. 93; Weber 1968). That is to say, activities are embraced as part of a widely endorsed model of how a society is supposed to 'work'. Meyer and Scott (1983, p. 201) identify legitimacy even more simply as cultural support for an organization.

For the NHS to be culturally and politically legitimate requires that its activities are perceived as 'desirable, proper and appropriate' within the prevailing context of society (Suchman 1995, pp. 571-85). Following Suchman's work on legitimacy, the NHS can be seen to depend on distinctive pragmatic, moral and cognitive sources. In so far as a 'strategic approach' to legitimization can be said to exist, the dominant force of reason has been expressed by government in terms of justifying the new NHS through 'performance' symbols such as league tables and lists of waiting times, presented as substantive outcome measures. This type of activity was intended to provide a direct source of *pragmatic* legitimacy (patients' self-interest). The creation of public limited company-style NHS trust hospital boards, served by non-executive directors recruited from industry was also thought to add a further element of *cognitive legitimacy*, in the sense of help-

ing NHS hospitals take on recognizably business-like practices (looking the part). Clinical directors, on the other hand were potentially a source of *moral legitimacy*, they alone amongst the participants in the totality of the anticipated new managerial discourse had access to a form of legitimacy that derives from a life of 'stethoscopes, rounds and gowns' (doing 'things the right way' in the eyes of patients).

A complex discourse surrounds the creation of legitimacy with respect to health service organizational form and practice. However, given the centrality of medical decision making to the 'business' of health care provision, it is difficult to envisage the form of a unifying NHS, if clinical directors or other medical leaders are not central participants (for example Mechanic's (1991) treatment of the 'de-professionalization thesis provides a useful perspective on this issue developed in the context of US health services). The range of factors influencing the new medical management and the progress made by clinical directors in developing reason, language and concepts which impact on the legitimacy of the contemporary NHS need to be examined closely.

FROM MANAGERIALISM TO CLINICAL GOVERNANCE

New Labour's approach to NHS reform as described in the White Papers for Scotland and England, *Designed to Care* (Cm 3811, 1997) and *The New NHS: Modern and Dependable* (Cm 3807, 1997), establishes a commitment to developing a network of integrated clinical services which deliver seamless care. Current health services policies reflect contemporary thinking on organizational design, in which flatter, less hierarchical, forms are preferred and associated with encouraging collaborative behaviours and enhanced organizational learning. Previous change programmes based on the 1983 NHS Management Inquiry and the 1989 White Paper *Working for Patients* (Cm 555) also stressed the theme of devolved management (Harrison, Hunter, Marnoch and Pollitt 1992; Pettigrew, Ferlie and McKee 1992; Strong and Robinson 1990). In the 1980s it was hoped that clinicians, particularly senior doctors, could be incorporated within the management process through appointment to general management posts. In practice this was rarely realised. Clinician participation in management was also equally limited, in the *management budgeting* project, an exercise in bringing together systems for monitoring and controlling service outputs and costed inputs. Later re-launched as the *resource management initiative*, greater emphasis was placed on devolving resources in an attempt to commit decisions to the level of the individual consultant (Pollitt, Harrison, Hunter and Marnoch 1991; Packwood, Keen and Buxton 1991). Devolved management, in this context, meant that clinical teams would become attuned to key resource information describing different patterns of treatment being offered to patients; and choices would be made between clinical approaches. This, in turn, would allow for a stronger clinical input to flow into the resource planning process and stronger central control over costs and quality would

thus be achieved. This was a change programme aimed at removing the rigid barrier that existed between clinical decision making and management decision making. Later in the 1990s, following the implementation of *Working for Patients*, self-managed provider units were required to be in a position to tender for contracts. This, in turn, implied a need for greater control over clinical staff and their use of resources in delivering services to contractually bound costs and standards. In response, trust leaders were encouraged by representative bodies such as National Association of Health Authorities and Trusts and the Institute of Health Service Managers to adopt an organizational model based on clinical directorates as a means of linking corporate management to clinical activity.

The origins of clinical directorates are to be found in responses made by clinicians at the grass roots. Following the failure of a temporary closure of a hundred beds at Guy's Hospital London in 1984, a group of clinicians began to take an interest in identifying a more systematic method of operational management at specialty level. The outcome was an agreement to experiment with the 'Johns Hopkins' model of medical management based on department sub-units called clinical directorates (Chantler 1993). With clinical directorates having been established in virtually all the National Health Service trusts by the early 1990s, the British Medical Association, the Institute of Health Service Management, The Royal College of Nursing and the British Association of Medical Managers (1993, 1996) jointly authored two reports providing a consensus statement on what is thought to work in clinical management. (The British Association of Medical Managers was formed to represent the new category of clinicians with a contractually specified management responsibility.) The report identified clinical directors with the role of co-ordinating and developing patient services. It advised that clinical directors should have managerial control over nursing and paramedic staff and that they should be supported by a nurse manager and business manager with appropriate administrative and clerical staff attached to the directorate. It was stated that the business manager's role should be concentrated on administration, information technology, budgeting, planning, records and staff. Devolved management at this point took a distinctive organizational identity and began to realize the ambitions of earlier reformers. Implicitly these changes demand a new basis for organizational discourse.

In what may be interpreted as a response to the problem of declining public and professional trust in the organization of health care in the UK, the 1997 White Papers restated the 'doctors into management' drive in the context of the organizational arrangements and practices associated with 'clinical governance':

The Government will amend Trusts' statutory duties to make explicit their responsibility for quality of care. This will need to be taken every bit as seriously as the existing financial responsibilities The intention

is to build on existing patterns of professional self-regulation and corporate governance principles, but offer a framework for extending this more systematically into the local clinical community, and ensure the internal 'clinical governance' of the Trust (Scottish Office 1997).

In short chief executives are to be made accountable for clinical quality in the same way, that they are accountable for financial performance and probity. Clinical governance, will according to the British Association of Medical Managers (the NHS doctor-managers 'trade union'), require chief executives to develop the same type of close relationship with doctor-managers, as they tend to have with their directors of finance (BAMM 1998). Hackett and Spurgeon (1999) believe that trusts will be required to change fundamentally their systems, processes and performance management mechanisms. They conclude that trust chief executives will need to manage culture change actively to deal with powerful individuals and coalitions. Wattis and McGinnis (1999) draw attention to the likely inadequacies of NHS information infrastructure in respect of supporting earlier clinical audit initiatives and see the implementation of clinical governance as requiring a new approach to 'knowledge management'. The new set of reporting requirements, along with the relationships involved in the delivering high quality clinical services, require a new clinical centred organizational discourse based on an organizationally integrated and inter-dependent appreciation of health care (Marnoch and Ross 1998). This has been recognized by the participants in the policy implementation process. The Institute Health Services Management, for example, see a need for organizational development programmes to take place in order that lay managers are trained to better understand the substance of clinical issues (IHSM 1999, p. 30). The NHS Executive have also re-stated the principles and criteria behind continuing professional development (CPD) in terms of organizational integration in response to the implementation of clinical governance. In particular an emphasis is placed upon establishing CPD as a 'partnership between the individual and the organization' in the context of a 'learning culture' (Department of Health 1999).

BACKGROUND TO CLINICAL DIRECTORS STUDY

The ESRC funded study, from which data is drawn, represented a continuation of earlier work examining management reforms and organizational change in the NHS. (Pettigrew, Ferlie and McKee 1992; Harrison, Hunter, Marnoch and Pollitt 1992). Both studies accentuated the notion of 'professional tribalism', a metaphor used to describe the sub-culture based and frequently adversarial nature of organizational relations. Findings also confirmed the extent of separation between managerial and clinical domains discussed earlier. These factors were found to be major barriers to the implementation of change processes associated with general management in the mid-1980s. Doctors typically remained disengaged from management

reforms. Following the market-orientated reforms of the early 1990s, the problem of empowering doctors to contribute to general management was further elaborated by Marnoch (1996). Here, the emergent breed of medical-managers known as medical directors and clinical directors were discussed in relation to the 'new NHS'. Medical directors are statutory members of trust boards created in the 1990 NHS and Community Care Act. Clinical directors are clinicians who have taken on a management role on a part-time basis. They hold a budget and managerial responsibility for a specialty or group of specialties/sub-specialties. The Aberdeen study centred on clinical directors, who as practising clinicians, were an entirely new breed of medical manager. The project allowed the research team to address key unresolved questions (Fitzgerald and Sturt 1992; Burgoyne and Lorbiecki 1993). A key aim was to discover whether the actual behaviours of clinical directors supported an emergent organizational form based on a radical mixture of decentralization, empowerment and market-driven networking, or alternately, a traditional line management system associated with global budgetary control (Marnoch, McKee and Dinnie 1997a, 1997b; Hecksher and Applegate 1994, pp. 1–14). The report which followed (Marnoch, McKee and Dinnie 1997a) addressed a number of specific questions concerning the precise roles assumed by clinical directors: their role in strategy; their participation in contracting and the internal market; their influence over quality of care; their budgetary responsibilities and span of control; their contribution to organizational and clinical change; the interface with other levels of NHS management and clinical colleagues; and their management aspirations, orientation and style. Comparison made between individual clinical directors and in turn comparisons made between different trusts, provided an opportunity to comment on diversity or consistency of implementation of directorate structures across Scotland.

The study concluded that clinical directors had not been fully absorbed into 'traditional' NHS line management/global resources control systems (McKee, Marnoch and Dinnie 1999). The problem of integrating and organizing those responsible for medicine and those responsible for money remains a problem (Dawson, Mole, Winstanley and Sherval 1995). Clinical directors rarely dominated devolved budgets and were not typically creating new strategic arenas. They often remained wary of activities which would either distance them from their clinical colleagues or challenge clinical autonomy. This in turn inhibited the impact which clinical directors made on the change process associated with the NHS reforms of the 1990s. (An inquiry carried out by the Audit Commission (1995) identified a range of problems associated with the lack of management control over operational processes in NHS hospitals). However, the report also recorded a good deal of evidence indicating that clinical directorships provided professional satisfaction, enhanced management competency and development for many clinicians. The possibility of constructing a new form of devolved management based on clinician-managers was therefore encouraged by the

adoption of the clinical directorate form. Other researchers confirm this finding (Fitzgerald and Dufour 1997; Ong, Boaden and Cropper 1997). Indeed several instances were recorded where clinical directors were forging a new hybrid domain where traditional managerial and clinical roles and responsibilities were becoming blurred. The interest in legitimacy and discourse consequently emerged from the analysis of quantitative and qualitative data gathered.

METHODS

The study comprised of a survey of all clinical directors in Scotland and follow-up interviews with a sub-sample of clinical directors, medical directors, chief executives and business managers from selected directorates in six NHS trusts during 1995–96. A total of 240 clinical directors were in post at the time of the postal survey located in 39 NHS trusts. (Not all medical managers in devolved management systems are called ‘clinical directors’. For our purposes clinicians holding budgets for staff were regarded as the subjects of our programme of research.) Of the 240 questionnaires that were sent out, 157 were returned (response rate 65 per cent). Of the 157 which were returned 10 were disregarded at this stage of the research as they had been sent to individuals who fulfilled the post of clinical director although they were not medically qualified leaving a total sample size of 147. After the population is adjusted to 230 this gives a response rate of 68 per cent (Marnoch, McKee and Dinnie 1997a). While there are some significant organizational differences between NHS health care services in Scotland and England, there is no evidence from existing studies of medical behaviour and hospital sub-cultures to suggest that the roles and responsibilities of the clinical directors examined are systematically different from those elsewhere in the United Kingdom. The validity of attempts to generalize from the Scottish-based study are also encouraged by the earlier research experiences of Marnoch and McKee in England.

Drawing on full tape recorded transcripts of some forty lengthy face-to-face interviews with clinical directors, medical directors, chief executives and business managers drawn from a sample of Scotland’s NHS trusts, the paper explores the factors which are structuring the emergence of a new form of organizational discourse involving clinical directors. The qualitative data gathered in the study is used here to indicate the extent to which the discourse of health care management has moved on to a level from which mutually shared legitimacy building concepts have emerged.

A STORYBOARD APPROACH

Following practice established for ethnographic research we adopted what Watson and Harriss (1999, pp. 1–26) have described as the ‘empty storyboard’ approach. As interviewers we imposed only a very loose framework on the discussions with our respondents. Instead of asking direct questions of a factual nature, we were more concerned to listen to clinical directors’

stories about the job and the organization they worked in as guides to their self-awareness as 'emergent managers'. The clinical directors were the central characters in the 'plot' that took shape around four dominant themes: politics, budgeting, monitoring and organizational structure. On the basis of the researchers enhanced contextual information, derived from our knowledge of recent NHS organizational history and the vantage point gained as observers in a large number of institutional settings, we concluded that these themes best convey clinical directors engagement with management as a process. Discussions of each theme are based around an examination of interview transcripts. Representative extracts have been used to give an impression of the world view adopted by clinical directors in relation to the management process.

POLITICS

The tendency for the discourse of medical management to wrap itself around political issues was very apparent. For instance on one level it was clear that a government policy of promoting 'hair shirtist' economy drives, which was in vogue during the period of the study, drew the discourse towards explanations of how management costs could be reduced. An illustrative example of the ready justifications and ability to quote facts and figures offered in response to this political demand, is contained in the following excerpt from an interview with a clinical director:

I know the ME (Management Executive of the Scottish NHS) are concerned about money, the ME are wanting to see management costs reduced, let's be quite blunt about this ... I have done away with that grade 4 post devolved it down to two other people who are now grade 4s but I have effectively done away with the post and I have put on a business support officer who costs about a third, so in fact in management terms I have made a huge saving in this directorate. Our real up front management costs are business support officer and me, total cost about 15,000 a year Where else could you run a 2 million pound organisation for 15,000 (clinical director 25).

On a different level the clinical directors working in teaching hospitals, would in many cases articulate a sophisticated line in political analysis, to describe the path that had to be trod between the power lines running between the Deans of the Medical Schools and professors heading up university departments. An example:

Well you know I think the university system is absolutely diabolical, you know you are a professor, you have got complete rights to do anything ... but you and I both know that is not the way proper management works, you want to do away with that, but that is the way this place was, basically there was a prof and the rest just did what the prof said. ... but the clinical director is sitting say with a three year contract or no contract at all (clinical director 15).

A third type of political discourse over the NHS management hierarchy, typically stimulated clinical directors to theorize at length:

I think the people here take the ME (Management Executive) and their requirements incredibly seriously. They see that as their main role really, and they're not entrepreneurs in the sense that saying 'Okay, we know the ME says that, let's see if we can get round it ... They're very straight down the straight and narrow (clinical director 6).

.... the role of the Trust Chief Executive and the Trust Finance Officer is to actually comply with the requirements put down by the ME (Management Executive of the Scottish NHS) I mean the ME are bumptious, imported, failed business men really aren't they (clinical director 12).

A fourth type of politically orientated discourse revolved around the recognition that doctors are not traditional team players. For instance one interviewee talked about his role in attempting to break down the barriers between surgery and medicine. The interviewer went on to ask him if this meant that he was in fact attempting to create new clinical processes? After a moment's consideration, he concluded 'no', explaining that his role was really akin to that of a referee – other people played the game and he had to take decisions every now and again.

A generalized belief in the inevitability of politics in the modern NHS was evident. According to one respondent the NHS of 1948 was a semi-military organization, the Medical Superintendent and the Matron had genuine authority which people who had returned from the armed forces were comfortable with. The 'chief system', where a consultant pecking order was recognized, worked well in his view. The NHS had a 'slim structure', there was a Clerk of Works and a Hospital Secretary and management was very low cost. This he explained gradually broke down. A tacit recognition of pluralism, its inevitability and consequences, featured heavily in accounts of management provided by clinical directors.

The social practices associated with these political themes can readily be seen to mitigate against the development of an integrated organizational discourse and therefore provides little material for legitimacy building. The notion of the NHS producing separate clinical and managerial discourses stills holds good, when clinical directors discuss politics.

BUDGETING

Budgeting and finance was expected to be a major focus for the clinical directors. The potential for Resource Management Initiative based systems to integrate clinicians and lay managers in decision-making processes has been obvious since the mid-1980s. Avoiding direct reference to the RMI, the study tried to identify evidence of clinical directors being in a position to conduct a dialogue on the resource consumption patterns of their direc-

torate colleagues in a fashion derived from systematic information gathering. This type of resource-based discourse was not obviously occurring in any of the NHS trusts examined in the qualitative data gathering stage of the Aberdeen study. In the single site where there had been a significant amount of energy devoted to establishing a resource management system, it was clear that the exercise had been treated as a one-off knowledge generating project, rather than the basis for a new type of organizational discourse.

I think the principles are sound. What we found was that RMI tried to cover an all-pervasive thing that the RMI project group was almost then a shadow trust board and was trying to take powers unto itself, but those were not appropriate. So I think in terms of our own project giving us money to move forward into the hidden technology of information and management, for example, getting financial management systems in place, helping us to support organizational development with the clinical directors, I think it was super but we came to the conclusion that it was really operating in parallel and that what we needed to do was to scrap it (clinical director 10).

Budgeting and finance feature far more frequently in the lives of clinical directors as sources of bureaucratic frustration, as illustrated by a typical discussion of the role of finance directors:

.... I personally believe it's because they're cautious individuals, particularly the Director of Finance. I find that most Directors of Finance are pretty computerised individuals anyway, you know and they're very conscious of the need for financial accountability. ... I think that that's a reflection on management in general, that if you're given a finite sum of money then you're supposed to work within the framework of your budget. What it doesn't do, of course, as far as we're concerned is provide any incentive (clinical director 16).

The devolved budgeting experience is failing to provide a focus for a corporate organizational discourse to develop and in that sense provides no new source of legitimacy. Neither pragmatic (self-interest) nor cognitive (looking the part) legitimacy could be seen to be generated around the clinical directors' role in the budgeting process.

MONITORING

One of the classic tasks associated with a line management structure is the monitoring of a subordinate's performance. The process of monitoring helps generate cognitive legitimacy, because it is an expected part of organizational life and therefore evidence of such activity confirms integrity of purpose. The clinical directors tended to discuss monitoring in one form or another during interviews. In short there is at present little evidence of clinical directors assuming performance monitoring-type roles. In a sense

the terms of the medical management discourse are defined by the available information. With an absence of systematic clinical data gathering systems, there is a lack of inclination to single out poor performing colleagues as explained below:

.... I would have to tell you that our information systems are almost too poor to ever confront me with that (problem), we are primitive in terms of budgetary information, activity information, but if there was an outlier of that kind, three standard deviations away from the mean, I wouldn't have any problem about speaking to him. Whether it would influence him would depend a wee bit whether he was amenable but it wouldn't bother me to confront someone and say look asthmatics are in here for 10 days and everybody else is in for 2 days. Why is that? I haven't had to deal with any issues like that, because we are not highly sophisticated at looking at individual practices and comparing them (clinical director 25).

It should also be noted that the clinical directors have a limited power base in so far as they might wish to launch actions against colleagues believed to be poor performers. The possibility of a middle-management style of discourse developing with directorate colleagues and 'senior' lay managers is unlikely to be fulfilled, a view expressed by many clinical directors:

.... my style is more presenting the problems to them and saying, 'Well what do you think we should be doing about it? How do you think we should...?' And hopefully, in a way, we need to try to lead them along the lines I think they should go but...I certainly don't come to them and say 'right...we're going to do this that and the next thing'. I much prefer them to come out with the problem and say 'have you any ideas how to deal with this'? (clinical director 7).

With greater pressure on NHS trust chief executives to 'guarantee' clinical quality the absence of a monitoring discourse in clinical directorates is a legitimacy threatening issue yet to be confronted.

ORGANIZATIONAL STRUCTURES

With a place in a line management structure appearing as either unfeasible or unattractive to clinical directors, positive articulations of contributions to the management of change tended to be wound up in the problems of finding appropriate ways of working in flat non-hierarchical teams. The directorate system was generally recognized as having facilitated stronger communication between lay managers and clinicians, as illustrated in the comments below:

I think that the greatest weakness of any of the previous systems were that, or was, that really the input from people such as myself into the then management structure was by letter, by telephone, it was very tenu-

ous and I personally believe that it was completely unstructured (clinical director 17).

The clinical directors are now certainly 'structured' into management but not it would seem into a strategic orientated discourse. If clinical directors or other medical managers are not used to develop the corporate strategy of NHS trusts, there is a danger that increasing the direct involvement of the clinical directors in organization produces a rather negative reaction to management as a process. This is partly caused by the extent to which the clinical director's view of management discourse is filtered through their involvement with and immediate technical reliance on 'business managers', the title given to support staff located in directorates. Offering at best a type of 'middle-managers' perspective on organization, the business managers are failing to offer a conceptual role model for clinical directors. With relatively few opportunities for interacting with the chief executives and medical directors, who are operating in a discourse created in part by the actions of government and carrying with it a prestige of sorts, the clinical directors may be in danger of being suffocated under the weight of an unappetizing representation of the middle management process as conveyed to them through their business managers. While the need for a middle-management role is arguably still evident in aspects of health service organization (Wall 1999), a simple (in traditional management terms) scripting in of the clinical directors into NHS organizations, as players with typical middle manager's sensibilities was doomed to fail. The classic tasks associated with middle managers – the timely and accurate execution of operational activities – are made difficult or in some cases impossible, by the complex power relations evident in NHS trusts (Keuning 1998, p. 24). In any case from a legitimacy generating perspective there seems little to be gained from aligning clinicians with a lay manager-dominated discourse.

Even on a very basic level of facilitating 'bottom-up' communication few NHS trusts had succeeded in involving their clinical directors in strategy formation. In the six NHS Trusts, where detailed interviews were undertaken, just one case was discovered where a chief executive was making it a regular part of his day to meet with clinical directors for purposes of strategic planning and implementation. Significantly this took place in the smallest NHS trust examined. Size and proximity may be very significant factors influencing the condition of the organizational discourse involving clinical directors.

The extent to which a devolved management structure based around clinical directors can produce a discourse for re-invigorating management processes used by the NHS is as yet unproven. Moral legitimacy 'doing things the right way' remains dependent on clinical practice and clinical discourse, while the demand to deliver a clinical governance quality guarantee faces chief executives with a greater need to use devolved management and clinical directors as the building block for a new form of

organizational discourse. It is unclear if medical managers can generate an integrative discourse around their roles and responsibilities. The distinction between organizational and institutional-based discourses may be of key importance in understanding what is likely to happen. Doctors and nurses, though employed by organizations (NHS trusts), are also members of institutions. The organizational form taken by the NHS has changed frequently since 1947. Legitimacy may be far more securely rooted in institutional practices which define 'the way things are done', providing stability over time and a 'sense of place' (Lowndes 1996, p. 182). Clinical practice, the professionally accepted ways of dealing with patients (moral legitimacy), has arguably remained the foundation of health care service legitimacy in the United Kingdom, subject only to evolutionary change, unlike NHS organizations which have altered frequently. A tension has always existed in the NHS between organizational hierarchy and institutional patterns of power and influence (Frankford 1997, pp. 185–93; Alvesson and Willmott 1996, p. 33). Clinical directorates or other organizational means of scripting doctors into management are no quick fix in this respect. The NHS will need to convince powerful institutional groupings of the need for integrative discourse.

CONCLUSIONS

We began earlier by posing questions concerning the type of contribution, which the new medical managers make to the development of health services organization, including the extent to which they provide a new source of legitimacy. It was also intended to examine the discourses developed by them to make sense of their roles and responsibilities. Suchman's (1995) framework based on the notions of pragmatic, moral and cognitive legitimacy has been employed throughout as a means of organizing evidence generated from dialogues conducted with both medical managers and lay managers.

When the question of whether medical managers have been used profitably in establishing new sources of legitimacy is addressed, it is clear that any gains made must be set against the negative consequences of earlier health service reforms. The move away from command and control type of hierarchy, endorsed by both the 1989 and 1997 white papers, is consistent with the intention to reform the welfare state and place consumer preferences higher in the list of governance priorities and thus marking it would seem, a relative decline in importance of budgetary control. The 'businessed up' organization needed in turn to be supported by new sources of legitimacy. In other words the logic of a move away from a hierarchical mode of governance towards a service mode, necessitated leaders of NHS trusts to attempt to derive legitimacy from strategically driven business-style activities. The 'storyboard' approach adopted here, provided an opportunity for clinical directors to describe their engagement with the business-orientated NHS. While the clinical directors have been written into

the management process, the dialogues...which were recorded, fail to indicate the development of a strategically informed orientation in relation to delivering services in a business-like way. Indeed much of their representation of the role they fulfill is concerned with describing different types of political activities, which in turn are often wrapped up directly or indirectly in the budgetary process. This is indicative of a more generalized problem encountered in the NHS with the act of replacing budgetary control of the 'annual across the board percentage increment' type, with 'strategically informed' decisions over resource allocation (Joyce 1999, pp. 72–6). The NHS, in common with other public service organizations, is often guilty of 'talking strategy' but 'thinking incrementally'. The market experiment made little impact on this tendency, having for example created few apparent opportunities to develop exchange-based pragmatic legitimacy around the contracting process.

In so far as clinical directors had contributed positively to a process of reconfiguring health services organization in response to opportunities to deliver services in new ways, various positive findings were made. For instance several clinical directors were clearly trying to make sense of their role by thinking and acting in non-partisan ways, effectively rejecting the role of departmental delegate to an annual round of budget allocation by political resolution. However, this is encouragement for the future rather than a realization of 'integrationist' ambitions in the present. The NHS remains a divided organization, which is sustained by a compartmentalized discourse, separating the managerial from the clinical. While traditional assumptions which informed the organization of health services are rapidly becoming redundant, the strategic management of the clinical *complex* – the management of the technology, knowledge, finance and skill required to exploit new possibilities in medicine – was not a subject which clinical directors tended to raise unprompted. Our evidence generally suggests that there is not as yet a sense of reciprocal understanding developing to embrace lay managers and clinicians in a discourse which will rebuild legitimacy around pragmatic, moral and cognitive sources of legitimacy.

The abandonment of the internal market and the current promotion of clinical governance and 'joined up' approaches to social policy may provide a new opportunity for medical managers to assert control over the discourse of organization. Medical managers have a potentially unique contribution to make in realizing legitimacy from health services practice. As important actors in developing processes of clinical governance, medical managers have a role to play in stripping back the mystique surrounding the management of quality of clinical care and rebuilding the legitimacy of the NHS on new terms. Medical managers may also yet become the central players in a form of corporate legitimacy management which has, as its basic building block, discourse derived from the fulfillment of social exchanges involving broader groupings of health service professionals. Of key importance, given the emphasis on clinical quality assurance contained

in the 1997 White Papers, is the ability of the medical manager to effect reciprocal understandings of the clinical process between managers, patients and doctors. This would seem crucial in remaking cognitive legitimacy for a new age of health care. The prospects for dealing with issues of clinical effectiveness, cost and patient involvement through the vehicle of clinical governance are in some part dependent on the development of an integrative discourse, the terms of which are still developing. At present, medical managers remain in the no man's land between management claimed organization and profession dominated institutions.

REFERENCES

- Alvesson, M. and H. Willmott. 1996 *Making sense of management* London: SAGE
- Audit Commission. 1995. *The doctors' tale*. London: HMSO.
- Berger, P. and T. Luckmann. 1967. *The social construction of reality* New York: Doubleday Anchor
- British Association of Medical Managers. 1998. *BAMM Newsletter* (March) Cheadle: British Association of Medical Managers
- British Association of Medical Managers, British Medical Association, Institute of Health Services Management and Royal College of Nursing. 1993 *Managing clinical services* Cheadle: BAMM
- . 1993 *Principles into practice*. Cheadle: BAMM
- Burgoyne, J. and A. Lorbiecki. 1993. 'Clinicians into management', *Health Services Management Research* 6, 4
- Chantler, C. 1993. 'Historical background: where have clinical directorates come from and what is their purpose?' in A. Hopkins (see below).
- Cm 555. 1989. *Working for patients*. DOH. London: HMSO.
- Cm 3807. 1997. *The new NHS: modern and dependable* London: Stationary Office.
- Cm 3811. 1997. *Designated to care* Scottish Office/DOH Edinburgh: Stationary Office.
- Currie, G. 1998. 'Managerialism in the health service: partnership or conflict in a management development programme', *Health Services Management Research* 11 3, 192-9.
- . 1997. 'Contested terrain: the incomplete closure of managerialism in the health service', *Health Manpower Management* 23, 4/5, 123-32.
- Dawson, S., V. Mole, D. Winstanley, and J. Shervell. 1995. 'Management, competition and professional practice: medicine and the market place', *British Journal of Management* 6, 3
- Degeling P., J. Kennedy, M. Hill, M. Carnegie and J. Holt. 1998 *Professional sub-cultures and hospital reform* The Centre for Hospital Management and Information Systems Research, Sydney, University of New South Wales and Department of Social Policy, University of Newcastle upon Tyne.
- Degeling P., R. Idema, M. Hill, J. Kennedy and L. White. 1998. 'Do professional subcultures set the limits of hospital reform', *Clinician in Management* 7, 89-98.
- Department of Health. 1997. *The new NHS: modern and dependable* London: HMSO
- Department of Health (NHS Executive). 1999. *Continuing professional development: quality in the new NHS*. Leeds: Department of Health.
- Elston, M. A. 1991. 'The politics of professional power: medicine in a changing health service', pp. 58-88 in J. Gabe, M. Calnan and M. Bury, *The Sociology of Health* London: Routledge.
- Ferlie, E., A. Pettigrew, L. Ashburner and L. Fitzgerald. 1996 *The new public management* Oxford: Oxford University Press.
- Fitzgerald L. and Y. Dufour. 1997. 'Clinical management as boundary management: a comparative analysis of Canadian and UK health care institutions', *International Journal of Public Sector Management* 10, 1-2, 5-20
- Fitzgerald, L. and J. Sturt. 1992. 'Clinicians in to management: on the change agenda or not?', *Health Services Management Research* 5 2.
- Frankford, D. 1997. 'The normative constitution of professional power', *Journal of Health Politics, Policy and Law* 22, 1, 184-221

- Hackett, M. and P. Spurgeon. 1999 'Culture, leadership, and power. the key to changing attitudes and behaviours in trusts', *Clinician in Management* 8 1, 27-32
- Ham, C. 1999. *Health Policy in Britain* London: Macmillan
- Harrison, S., M. Barnes and M. Mort. 1997 'Praise and damnation: mental health user groups and the construction of organizational legitimacy', in *Public Policy and Administration* 12, 2-16
- Harrison, A., J. Dixon, B. New and K. Judge. 1997 'Is the NHS sustainable?', *BMJ* 314, 7075 296-98.
- Harrison, S., D. Hunter, G. Marnoch, and C. Pollitt. 1992 *Just managing. power and culture in the NHS* London: Macmillan.
- Harrison, A. and B. New. 1998 *Health UK 1997/98* London: King's Fund
- Harvey, D. 1989 *The condition of post-modernity* Oxford: Basil Blackwell.
- Hecksher, C. and L. Applegate. 1994 in C. Hecksher and A. Donnellon (eds.), *The post bureaucratic organization: new perspectives on organizational change*. London: SAGE
- Hennessy, P. 1993 *Never again*. London: Vintage
- Hill, S. and D. McNulty. 1998 'Overcoming cultural barriers to change', *Health Manpower Management* 24, 1, 6-12
- Hogg, C. 1999 *Patients, power and politics* London: SAGE
- Hopkins, A. 1993. *The role of hospital consultants in clinical directorates The Syncromesh report* London: Royal College of Physicians.
- Hortell, S., R. Gillies, and K. Devers. 1994. 'Reinventing the American hospital', *Milbank Quarterly* 73 2, 131-60.
- Hunter, D., 1994. 'From tribalism to corporatism. the managerial challenge to medical dominance' in J. Gabe, D. Kelleher and G. Williams, *Challenging medicine*. London: Routledge.
- IHSM (Institute of Health Services Management). 1999. *Devolved management in Scotland's new trusts*. London: IHSM.
- Jacob, J. 1999 *Doctors and rules*. London: Transaction Publishers.
- Joyce, P. 1999 *Strategic management for the public services* Buckingham: Open University.
- Judge, K. and M. Solomon. 1993. 'Public opinion and the National Health Service. patterns and perspectives in consumer satisfaction', *Journal of Social Policy* 22, 3, 299-327.
- Keuning, D. 1998. *Management a contemporary approach* London: Pitman.
- Kneeshaw, Jack. 1998 'Does the public mind have to wait?' in Harrison and New (see above)
- Kumar, K. 1995 *Modernity and post-modernity*, Oxford: Blackwell
- Learmonth, M. 1997 'Managerialism and public attitudes towards UK NHS managers', *Journal of Management in Medicine* 11, 4, 214-21
- Lowndes, V. 1996 'The new institutionalism', *Public Administration* 74, 2, 181-98.
- Macdonnell, D. 1986. *Theories of discourse* Oxford: Blackwell
- Marnoch, G. 1996 *Doctors and Management in the NHS* Buckingham: Open University Press
- Marnoch, G. and K. Ross. 1998 'Flags and badges - legitimacy in the new NHS', working paper
- Marnoch G., L. McKee and N. Dinnie. 1997a *Report to ESRC Clinical directors' roles and responsibilities*. Swindon: ESRC.
- 1997b. 'The conditions of power: the case of clinical directors and devolved management in the NHS' Paper to Modes of organizing: power/knowledge shifts conference organized by Warwick University and Lancaster University, 3-4 April
- McKee L., G. Marnoch and N. Dinnie. 1999. 'Puppets or puppetmasters' in A. Mark and S. Dopson (eds.), *Organizational behaviour in health care: a research agenda*. London: Macmillan.
- Mechanic, D. 1991 'Sources of countervailing power in medicine', *Journal of Health Politics, Policy and Law* 16, 3, 485-98.
- Meek, V. L. 1988 'Organizational culture, origins and weaknesses', *Organization studies* 9, 4, 453-73.
- Meyer, J. and R. Scott. 1983 'Conclusion institutionalization and the rationality of formal organizational structure' in J. Meyer and R. Scott (eds.), *Organizational environments. ritual and rationality*. Thousand Oaks, CA: Sage.
- Mills, S. 1997. *Discourse* London: Routledge
- Mulligan, J. 1998 'Attitudes towards the NHS and its alternatives', pp. 198-209 in Harrison and New (see above).
- NHS Management Inquiry (the Griffith Report) 1983. London: DHSS

- Ong, P., M. Boaden and S. Cropper. 1997. 'Analysing the medicine-management interface', *Journal of Management in Medicine* 11, 2, 88-95.
- Packwood, T., J. Keen and M. Buxton. 1991. *Hospitals in transition*. Buckingham: Open University Press.
- Pettigrew, A., E. Ferlie and L. McKee. 1992. *Shaping strategic change*. London: Sage.
- Pickersgill, D. and T. Stanton (eds.) 1997. *Making sense of NHS complaints and disciplinary procedures*. Oxon: Radcliffe.
- Pollitt, C., S. Harrison, D. Hunter and G. Marnoch. 1991. 'The reluctant managers: clinicians and budgets in the NHS', *Financial Accountability and Management* 4, 3, 213-34.
- Scott, W. 1995. *Institutions and Organization*. London: Sage.
- Scottish Office. 1997. *Designed to care*. Edinburgh: HMSO.
- Scottish Office Department of Health. 1998. NHS MEL 75.
- Shaf, M. and H. Munro. 1998. 'Unscrambling the cultural web', *Clinician in management* 7, 3, 167-73.
- Shortell, S., R. Gillies and K. Devers. 1995. 'Reinventing the American hospital', *Millbank Quarterly* 73, 2, 131-60.
- Strong, P. and J. Robinson. 1990. *The NHS under new management*. Buckingham: Open University Press.
- Suchman, M. 1995. 'Managing legitimacy: strategic and institutional approaches', *Academy of Management Review* 20, 3-610.
- The Observer*. 1999. (news report) 22 Aug.
- Timmings, N. 1996. *The five giants*. London: Fontana Press.
- Wall, A. 1999. 'Courting' the middle', *Health Service Journal*, 108, 5640, 22-5.
- Watson, T. and Harriss. 1999. *The emergent manager*. London: Sage.
- Wattis, J. and P. McGinnis. 1999. 'Clinical governance: making it work', *Clinician in Management*, 8 1, 12-18.
- Weber, M. 1968. *Economy and society: an interpretive sociology*, ch.3. in G. Roth and C. Wittich (eds.). New York: Bednminster.
- Williams, G. and J. Popay. 1994. 'Lay knowledge and the privilege of experience' in J. Gabe, D. Kelleher and G. Williams (eds.), *Challenging medicine*. London: Routledge.
- Williamson, C. 1992. *Making sense of the NHS complaints and disciplinary procedures*. Oxon: Radcliffe.

Date received 27 January 1999. Date accepted 7 July 1999.

UKPAC ESSAY PRIZE

The United Kingdom Public Administration Consortium* is pleased to announce its first essay competition. The two winners will have their expenses paid (up to £1,000 each) to attend the International Institute of Administrative Sciences (IIAS) International Conference in Athens, Greece from 10-14 July 2001.

The competition is open to any UK citizen or to anyone employed or resident in the UK under the age of 35, and the topic for the essay is:

Accountability in Public Administration

Essays should be no more than 3,000 words. Essays should contribute to the development of knowledge about public service delivery, management or policy-making. Essays should be the entrant's own work and should not have been published elsewhere. They should be in good English. They should be typed in double spacing with ample margins and three hard copies should be submitted. Essays should include a title page and an executive summary (abstract) of about 100 to 150 words. Acronyms should be spelt out and all sources properly referenced.

The deadline for submission is 31 January 2001. The competition will be judged by a panel comprising academics and practitioners and results will be announced by 16 March 2001. Essays should be sent to Professor Gavin Drewry (Convenor and Chair of the Adjudication Panel), c/o Michaela Lavender, CIPFA, 3 Robert Street, London WC2N 6BH. Essays will not be returned, so entrants should keep their own copy.

The adjudication panel reserves the right not to make an award if they consider that none of the essays submitted reaches the appropriate standard. The decisions of the panel are final and the judges will not enter into any correspondence concerning their adjudications.

*The UKPAC is a partnership enabling the UK to belong to the International Institute of Administrative Sciences; members are the Joint University Council Public Administration Committee, the Civil Service College, CIPFA and the NAO.

REVIEWS

CIVIL SERVICE SYSTEMS IN CENTRAL AND EASTERN EUROPE

Tony Verheijen (ed.)

Edward Elgar, 1999. 343 pp. Price not known

This edited collection reviews the civil services of the new democracies of Central and Eastern Europe a decade after Communism collapsed, when a series of new democracies with market economies had to emerge quickly. For many of those involved, the initial euphoria of liberation and transformation gave way to disillusionment and anxiety as living standards fell, unemployment and crime soared and governments failed to cope adequately with the new realities of liberty and competition.

Civil services and other public bureaucracies presented some special problems in the new Eastern Europe. Public administration could not just stop because the old Communist order had fallen and was replaced by the new democratic one. Many officials retained their posts and existing administrative structures had to be maintained while new ones were devised or changes brought about. However, old habits die hard. The Polish Ombudsman complained repeatedly during the early post-Communism years that officials, especially in local government, could not get used to the idea that they must now obey the law and if they did not do so, the *nomenklatura* would no longer protect them from the wrath of the Ombudsman and the courts. Equally, the West had to decide how much effort it was prepared to put into re-training bureaucrats in democratic ethics and procedures. Often this was neglected because the 'New Right' governments in office in the USA and Britain thought that all that mattered was training in management and market economics. Several of the essays in this book reveal that neglecting training in democratic values and processes has had unfortunate consequences, such as allowing corrupt and illegal practices to survive and even flourish. Also, new legal orders took time to establish: Poland took from 1989 to 1997 to agree its new constitution, for example.

The editor tried to ensure consistency of coverage from the contributors by imposing clear guidelines on them. Each chapter starts with a historical survey, followed by an account of the reforms adopted after the transformation. The representativeness of the reformed bureaucracies, their relationships with political leaders and their standing with the public are then discussed. The authors review the configurations of the bureaucracies using as standards the models devised by E. Philip Morgan and Ferrel Heady. Unfortunately, the editor does not use his opening chapter to discuss these models, which would have made their nature clearer to the reader and saved some explanations in the individual chapters.

The bureaucracies of Central and Eastern Europe are discussed in three groups, the first of which is made up of the Russian Federation and Yugoslavia. These countries have faced acute problems of political and administrative leadership, with the result that corruption and autocratic behaviour have survived despite efforts to introduce democratic norms and procedures. Alexander Kotchegura tells us that 'neutrality of civil servants continues to be a rather theoretical postulate in Russia' (p. 35). Government based on patronage continues in the new Russia

much as it did in the old Soviet Union. The second group is made up of the countries of Western Europe which are widely regarded as having made the most progress in developing Western-style economies and political systems, covering Bulgaria, Hungary, Poland and the Slovak Republic. Most of these countries have the advantage of having some experience and collective memory of democratic government and of the legal norms of the *Codes Napoleon*. Their efforts at bureaucratic reform have been given additional impetus by their desire to join the European Union (EU) relatively soon, although the development of democracy has not always been without problems, notably in Slovakia. In this section, a surprising omission is the Czech Republic, which may be in some ways the most advanced market democracy of all. The final group of countries considered is the Baltic States, which also aspire to EU membership but which are likely to take longer to achieve it.

The authors' attempt to impose a degree of uniformity on the contributions has worked to a degree but they are still variable in quality. Claudia Torres-Bartyzel and Grazyna Kacprowicz's discussion of the civil service in Poland is disappointing because its authors confine themselves almost completely to explaining the laws governing civil servants; they make little attempt to discuss the wider social realities confronting and moulding the post-Communist bureaucracy. In contrast, the following chapter on Slovakia by Peter Bercik and Juraj Nemec demonstrates a lively awareness of recent political and social realities.

In his concluding chapter, the editor reviews the accounts of bureaucracies and their development given by his contributors, using the same headings as they do. He notes 'the prevalence of continental European traditions in the development of new civil service systems' (p. 337) and stresses the importance of EU membership as a driving force for reform. Hence he suggests that these states may 'follow the gradual pattern of convergence in a "European administrative space"' (p. 337). He also argues that they provide a testbed for the methodology developed by the Civil Service Research Consortium for studying Eastern Europe, which 'led to some interesting insights' (p. 337). However, he concludes that the Morgan and Hady models, while useful, have their limits and need further adaptation. All in all, this is a useful and interesting collection of essays which enables the reader to understand the new realities of government and administration which have developed in Central and Eastern Europe now that the dust of the transformation has settled and processes of development are underway.

Howard Elcock
University of Northumbria at Newcastle

LOCAL POLITICAL LEADERSHIP

Steve Leach and David Wilson

The Policy Press, 2000. 228 pp. £17.99 (paper)

It is difficult to categorize local leaders because of the variability of personalities and of authorities, and lack of information. But the two professors at De Montfort have written a useful volume, pulling together in the literature, outlining general themes, giving vivid examples of individual leaders in action, and even proposing general elements in their role, tasks and skills. Both students and practitioners will find the book valuable.

The authors note that it is the first overview of local political leadership since the book by G.W. Jones and Alan Norton in 1979. Two aspects covered by that study are missing here: a historical perspective, which might have discussed the changing rules and perceptions about local leaders especially in the Labour Party, and an assessment of the resources possessed by leaders and deployed by them in interactions with other players. Otherwise this book builds on Jones and Norton's opening analysis of the critical linkages between leaders and other actors, including their perceptive observation. The Leader's role as spokesman and negotiator for his council is further expanded if his council regards itself as responsible for the general

welfare of its area: involvement in community planning brings the council and the leader in touch with the host of organizations, public and private, that are active in the locality' The idea of local leaders playing the lead role in local governance was not an insight of the 1990s, although it looms much larger now, and will be a key role as central government strips more direct-delivery functions from local authorities and seeks to conciliate them with networking.

This book is a wide-angled snapshot of local political leadership in the late 1980s and 1990s based on 120 interviews with political leaders and chief executives. Its theoretical chapter proposes four key tasks for local political leaders: maintaining cohesion within the party; developing strategy and direction for policy, representing the authority to the outside world; and ensuring implementation of programmes. The ways leaders carry out these tasks depend on their personalities and the cultures of their authorities. Personal qualities are critical, like charisma, level of trust and skills, as are the perceptions by the political group and council of the leader's role and of appropriate relationships between leaders and followers.

After consideration of the four key tasks, case studies examine Sir Peter Soulsby, long-time leader of Leicester City, and in less detail five other leaders in contrasting contexts: a leader of a hung authority (Robert Parker, Lincolnshire), a Labour leader (Richard Farnell, Rochdale), a Conservative leader (Eric Pickles, Bradford), a Liberal-Democratic leader (Graham Tope, Sutton), and a leader in a non-politicized council (Eddie Martin, Rutland). These fascinating profiles generate four common 'themes' Defining a leadership role is more difficult in authorities without majority control, but is possible. The scope for active leadership is greatest after an electoral victory that brings a change of control to an enthusiastic group with a distinctive programme. Leadership roles can transcend formal definitions depending on the skills of the leader. The tasks emphasized by the leader may not fit those shared by the group.

The final two chapters focus on current debates about directly elected mayors and the future of political leadership. The last chapter is essential reading for those grappling with the consequences of adopting one of the three models proposed by the government, directly elected mayor plus cabinet, cabinet plus leader and directly elected mayor plus council manager. The book highlights effectively the dilemmas of choosing. Given the variability of local authorities the worst course would be for central government to insist on imposing one model everywhere. Local authorities need to explore their own traditions, cultures and circumstances and choose what suits them. This last chapter will help them make up their minds. Some may even conclude they do not want a leader.

The authors, however, present their own 'best case scenario'. It entails less attention to group cohesion, and more attention to developing strategy and direction, handling external relations, and 'making things happen'. Their hope is that 'the balance between party policy and local discretion would change in favour of the latter'. That would indeed be a transformation. It might come about if parties could be transformed and people elected who are not committed to a programme they wish to support. In a whip-less system they would be independents – people who could never be depended upon.

The leader of the GLC was Sir Reg Goodwin not Godwin (pp. 43 and 223), and of Kent Sir John Grugeon not Grudgeon (p. 102 and 223).

G.W. Jones

London School of Economics and Political Science

IN THE PUBLIC INTEREST: COMPETITION POLICY AND THE MONOPOLIES AND MERGERS COMMISSION

Steve Wilks

Manchester University Press, 1999. 382 pp. £40

Britain now has a new and hopefully more effective competition policy regime. It is therefore timely to review the historical development of competition policy in Britain in the second

half of the twentieth century. This authoritative book is based on archival sources, including Monopolies and Mergers Commission (MMC) records not publicly available. The author also benefitted from discussions with past and present members of MMC staff and from the existence of a 'consultative group' which provided an ongoing seminar for the discussion of his work.

One is therefore obliged to ask whether the author has provided what used to be known as an 'official history', well informed and careful in its judgements, but too close to the body being studied. In general, Wilks maintains an appropriate critical distance. For example, he is prepared to characterize the MMC as a "business friendly" mode of economic organisation' (p. 354). At other points, however, it is evident that the predominant perspective is that of the organization itself. The 1956 Restrictive Trade Practices Act is described 'as little short of disastrous' (p. 38) for the Commission, although Wilks fully acknowledges the way in which the Court set up by the Act cut a swathe through the activities of cartels like the doughty British Dextrine Manufacturers' Association.

After setting out an overview of the development of competition policy, Chapters 3 to 5 focus mainly on the administrative history of the MMC. The innovative chapter here is the one which looks at the MMC's distinctive culture which Wilks hails as 'a remarkable achievement' (p. 142). There is then a history of competition policy which builds up to the 1973 Fair Trading Act followed by treatments of merger controls and utilities regulation. The penultimate chapter deals with the evolution of policy since 1973.

Wilks's aims are more ambitious, however, than writing a historical account of an important but somewhat neglected aspect of British economic policy. He wants to break away from the formalism, descriptive emphasis and chronological approach of earlier administrative histories and provide 'what might yet become a new species of institutional studies of British public administration and public policy' (p. 4). This is to be achieved by working on the boundaries of policy studies and history within the general context of the approach known as 'historical institutionalism'.

At one level, therefore, the book can be read as a revealing case study of incrementalist decision making which led to the persistence of an old model of competition policy well beyond its 'sell-by' date. It is also informed by an understanding of institutionalism which goes beyond organizational considerations to explore norms, values and 'rules of the game'.

One of the strengths of Wilks's approach is his awareness and understanding of a wide range of literature which offers a context for the specific study. He is perhaps too ready to accept uncritically the arguments of a declinist school who wanted Britain to transform itself into a 'developmental state'. The relevance of the declinist school is increasingly challenged, but Wilks is right up to date with his analysis of the centrality of competition policy to the New Labour project. Competition and the market may be at the heart of that project as he argues, but there is also a propensity to regulate by stealth which may undermine some of the stated policy objectives.

The meaning of the elusive and elastic concept of the public interest is a theme that rightly runs throughout the book, although it is surprising to find no reference to the late Edmund Dell's reflections on the subject of competition and the public interest published in 1973. Nevertheless, one could not quarrel with his conclusion that 'The public interest is a judgement which varies with the issues, the times, the state of knowledge and the contemporary character of responsible opinion' (p. 354).

This subtle analysis will be of value not just to those interested in the development of competition policy. It also has much to offer those interested in policy studies more generally, in relations between government and business and in the complex relationship between central government departments and the agencies which operate as 'chosen instruments' for particular purposes. It could provide a model for a new generation of historically grounded institutional analyses.

Wyn Grant
University of Warwick

ARTICLES

- ANNUAL REPORT 2000 723-728
- BACHE, Ian
Government within governance: network steering in Yorkshire and the Humber 575-592
- BATE, Paul
Changing the culture of a hospital: from hierarchy to networked community 485-512
- BOYNE, George, ASHWORTH, Rachel and POWELL, Martin
Testing the limits of incrementalism: an empirical analysis of expenditure decisions by English local authorities, 1981-1996 51-73
- BROOKS, Josie
Labour's modernization of local government 593-612
- CHRISTENSEN, Jørgen Grønnegaard
The dynamics of decentralization and recentralization 389-408
- CLOKE, Paul, MILBOURNE, Paul and WIDDOWFIELD, Rebekah
Partnership and policy networks in rural local governance: homelessness in Taunton 111-133
- CONSIDINE, Mark
Contract regimes and reflexive governance: comparing employment service reforms in the United Kingdom, the Netherlands, New Zealand and Australia 613-638
- CUNNINGHAM, Rosie
From great expectations to hard times? Managing equal opportunities under New Public Management 699-714
- DAVIES, Philip H. J.
MI 6's Requirements Directorate: integrating Intelligence into the machinery of British central government 29-49
- DYSON, Kenneth
Europeanization, Whitehall culture and the Treasury as institutional veto player: a constructivist approach to economic and monetary union 897-914
- GALLEGO, Raquel
Introducing purchaser/provider separation in the Catalan health administration: a budget analysis 423-442
- GEVA-MAY, Iris and KFIR, Aharon
Developments in policy analysis and evaluation in Israeli public administration 409-422
- GREENAWAY, John and GRANTHAM, Andrew
Transport policy paradigms at the local level: the Norwich inner ring road 815-833
- GREER, Alan and HOGGETT, Paul
Contemporary governance and local public spending bodies 513-529
- GREVE, Carsten
Exploring contracts as reinvented institutions in the Danish public sector 153-164
- HAY, Colin and RICHARDS, David
The tangled webs of Westminster and Whitehall: the discourse, strategy and practice of networking within the British core executive 1-28
- HOOD, Christopher, JAMES, Oliver and SCOTT, Colin
Regulation of government: has it increased, is it increasing, should it be diminished? 283-304
- JAMES, Oliver
Regulation inside government: public interest justifications and regulatory failures 327-343
- KLIJN, E. H. and KOPPENJAN, J.F.M.
Politicians and interactive decision making: institutional spoilsports or playmakers 365-387
- LÆGREID, Per
Top civil servants under contract 879-896

LANDERS, Brian	231
A reply	
LEACH, Steve and CHARTERIS, Sue	793-814
Managing the budgetary process in a hung council	
LOCOCK, Louise	91-109
The changing nature of rationing in the UK National Health Service	
LO SCHIAVO, Luca	679-698
Quality standards in the public sector: differences between Italy and the UK in the Citizen's Charter initiative	
MAOR, Moshe	135-152
A comparative perspective on executive development: trends in 11 European countries	
MARNOCH, Gordon, McKEE, Lorna and DINNIE, Nicola	967-987
Between organizations and institutions. Legitimacy and medical managers	
MARSH, David, RICHARDS, David and SMITH, Martin J.	305-326
Re-assessing the role of departmental cabinet ministers	
MARTIN, Steve	209-227
Implementing 'best value': local public services in transition	
McCLEAN, Iain and JOHNES, Martin	729-749
'Regulation run mad': the Board of Trade and the loss of the <i>Titanic</i>	
McGOWAN, Lee	639-656
At the Commission's discretion: carteldusting and fining infringements under the EU's restrictive practices policy	
MEKLIN, Pentti, LIINAVUORI, Juha and NUMMIKOSKI, Jukka	193-207
Expenditure inflexibility in the state budget. the fiscal policy latitude of the Council of State in Finland	
MONTRICHER, Nicole de	657-678
The prefect and state reform	
MORDAUNT, Enid	751-769
The emergence of multi-inspectorate inspections: 'going it alone is not an option'	
MULGAN, Richard	555-573
Accountability: an ever-expanding concept?	
PEMBERTON, Hugh	771-792
Policy networks and policy learning: UK economic policy in the 1960s and 1970s	
RHODES, R.A.W.	251-282
A guide to the ESRC's Whitehall Programme, 1994-1999	
RHODES, R.A.W.	345-363
The governance narrative: key findings and lessons from the ESRC's Whitehall Programme	
ROBINS, Lynton and GREENWOOD, John	957-965
Groups and groupwork in public administration	
ROBINSON, Marc	75-90
Contract budgeting	
SCHOFIELD, Richard and SHAOUL, Jean	531-554
Food safety regulation and the conflict of interest: the case of meat safety and <i>e. coli</i> 0157	
SHELDON, Robert	229-230
Encounters with the Public Accounts Committee: a response to Brian Landers	
SMITH, Mike and BEAZLEY, Mike	855-878
Progressive regimes, partnerships and the involvement of local communities: a framework for evaluation	
TEISMAN, Geert R	937-956
Models for research into decision-making processes: on phases, streams and decision-making rounds	
TOKE, Dave	835-854
Policy network creation: the case of energy efficiency	

VIGODA, Eran

Are you being served? The responsiveness of public administration to citizens' demands: an empirical examination in Israel

165-191

WOLLMANN, Hellmut

Local government modernization in Germany: between incrementalism and reform waves

915-936

BOOK REVIEWS

BEETHAM, David and LORD, Christopher, *Legitimacy and the European Union* (Erik Oddvar Eriksen)

247

BELLAMY, Christine and TAYLOR, John A., *Governing in the information age* (Lawrence Pratchett)

463

BERMAN, Evan M., *Productivity in public and nonprofit organizations. Strategies and techniques*

(Jørgen Grønnegård Christensen)

480

BOGASON, Peter, *Governments on the WWW*, <http://www.gksoft.com/govt/en/>

Richard Kimber's Political science resources, <http://www.psr.keele.ac.uk/>

Polis: <http://www.polis.net/>

479

CARR, Fergus and MASSEY, Andrew (eds.), *Public policy in the new Europe. Eurogovernance in theory and practice*

(Peter Bursens)

482

DAINTITH, Terence and PAGE, Alan, *The executive in the constitution: structure, autonomy and internal control*

(Gavin Drewry)

465

DOMBERGER, Simon, *The contracting organization. A strategic guide to outsourcing* (Anuta Niemi-Lilahti)

475

EUROPEAN INSTITUTE OF PUBLIC ADMINISTRATION <http://www.eipa.nl/> (Peter Bogason)

250

POLEY, Michael, *The politics of the British constitution* (Terence Daintith)

464

GOLDSMITH, M.J.F. and KLAUSEN, K.K. (eds.), *European integration and local government*

(Theo. A.J. Toonen)

481

GOMA, Ricard and SUBIRATS, Joan (eds.), *Políticas Públicas en España* (Susana Borrás)

716

HEEKS, Richard (ed.), *Reinventing government in the information age. International practice in IT-enabled public sector reform*

(Stavros Zouridis)

246

HERITIER, Adrienne, *Policy-making and diversity in Europe. Escape from deadlock* (Morten Egeberg)

720

HOOD, Christopher, *The art of the state: culture, rhetoric and public management* (Richard J. Stillman II)

461

HUTTER, Bridget M., *Compliance. regulation and environment* (Christopher Hood)

467

JAMES, Oliver, *The study of regulation: entering a mid-life crisis? A review article*

241

KHANDWALLA, Pradip N., *Revitalizing the state. A menu of options* (Volker Furst)

721

LAWTON, Alan, *Ethical management for the public services* (Lennart Lundquist)

245

LEACH, Steve and WILSON, David, *Local political leadership* (G.W.Jones)

990

LIPS, Miriam and LEWANSKI, Rodolfo *Teaching public administration in Italy and the Netherlands: a review symposium*

443

MOLINA, Ignacio and COLINO, César <i>Teaching public administration in Spain : a review article</i>	233
ORR, Larry L., <i>Social experiments. Evaluating public programs with experimental methods</i> (Signy Irene Vabo)	718
PILKINGTON, Colin, <i>The civil service in Britain today</i> (David Richards)	468
SELF, Peter, <i>Rolling back the market: economic dogma and political choice</i> (John Stewart)	470
STEWART, John, <i>The nature of British local government</i> (Brian Briscoe)	715
STOKER, Gerry (ed.), <i>The new management of British local governance</i> (Steve Leach)	473
THOENIG, Jean-Claude <i>New institutionalism and organizational theory: a review article</i>	455
VERHEIJEN, Tony (ed.), <i>Civil service systems in Central and Eastern Europe</i> (Howard Elcock)	989
WHITE, Fidelma and HOLLINGSWORTH, Kathryn, <i>Audit, accountability and government</i> (Josie Brooks)	471
WILKINSON, David and APPELBEE, Elaine, <i>Implementing holistic government: joined up action on the ground</i> (Vernon Bogdanor)	478
WILKS, Steve, <i>In the public interest: competition policy and the Monopolies and Mergers Commission</i> (Wyn Grant)	991
ZEY, Mary, <i>Rational choice theory and organizational theory: a critique</i> (Björn Rombach)	476

NOTES FOR CONTRIBUTORS

Public Administration is a major refereed journal, founded in 1922, which publishes articles on public administration, public policy and public management. Originally the journal of the British Royal Institute of Public Administration, it became an independent international journal in 1992. It has a global circulation. For 1999 the journal has been relaunched with significantly increased coverage of European public administration in a new 'European Forum'.

AIMS

The new journal aims to:

- stimulate scholarly and practitioner dialogue in public administration, public management and policy analysis.
- encourage critical, comparative analysis, especially of European, Commonwealth and American public administration.
- publish articles which are theoretically rigorous and of a broad current interest.

It has an eminent editorial board drawn from Austria, Belgium, the Netherlands, France, Germany, Norway, Spain, Sweden, Switzerland, the UK and the USA.

EDITORIAL STATEMENT

Editorial policy is flexible. Because *Public Administration* is multi-disciplinary, we aim to publish articles on all aspects of public administration, public management and public policy irrespective of academic discipline, country of origin or intellectual perspective. We will encourage submissions from law, economics and management as well as political science. Equally, we welcome manuscripts from all European countries, not just EU member states, and we will strive to avoid the common bias towards northern Europe. We are especially keen to publish papers from Mediterranean countries such as Spain, Greece, and Italy. We will referee manuscripts in French and German as well as English. Authors will translate their manuscripts only on acceptance. However, we will publish the journal in English because we believe this is the best way of drawing the work of European scholars to the attention of an international audience. And for this audience, it is essential all articles meet the criteria of theoretical rigour and broad current interest. We welcome contributions on developments such as hollowing-out, governance, post-modernism, new institutionalism and cultural theory. However, we also welcome submissions on the traditional topics of public administration such as constitutional and administrative law and administrative history. This approach to the subject is widespread in, for example, France, Germany and Italy and we believe these scholars can also meet our stated aims. Articles need not be comparative in the strict sense, but to speak to academics throughout Europe, as well as an international audience, all contributions must develop broad arguments and themes.

MANUSCRIPTS

The editors will welcome articles on any aspect of public administration which meets our stated aims. Articles for the 'Main Articles' section and 'European Forum' should be 6-8,000 words long. Articles for 'Public Management' and 'Review Articles' should be 4,000 words. 'Notes' should be no more than 2,000 words. Rejected manuscripts are not returned. Manuscripts will be sent to referees for comment. In all cases the editor's decision will be final.

Correspondence relating to previously published material is encouraged as long as its principal aim is to improve accuracy and refine or refute an argument.

Submission of an article means it has not been published elsewhere, nor is it under consideration for publication elsewhere. Authors of articles accepted for publication will be asked to assign their copyright, on certain conditions, to Blackwell Publishers, to help protect their material. Authors should, where necessary obtain permission to use copyright material in their articles.

Proofs may be read and printer's errors corrected by authors provided they give an address at which they may be reached without delay, and post corrected proofs, by first class mail or air mail, within five days of receiving them. With rare exceptions, printer's errors only will

be corrected. Extensive alterations to articles will not be accepted, and authors are asked to ensure that their manuscript is in final form before it goes to the printer.

First-named authors receive 25 free offprints and one complimentary copy of the issue. Additional offprints may be purchased (details are sent with proofs).

Style guidelines are available on request. All submissions must be double spaced on one side of paper. Bibliographic references should follow the Harvard system, and notes should not be used. Contributors must adopt the house style for their manuscripts. Many queries can be answered by consulting standard texts such as: *Hart's Rules for Compositors and Readers* and *The Oxford Dictionary for Writers and Editors* (both Oxford University Press).

DISKS

The final version of the manuscript should be submitted in paper and digital form. Use one of the most common software packages produced on either an IBM compatible or an Apple Macintosh computer operating system. Examples of acceptable software packages are Microsoft Word, WordPerfect or Scientific Word. Digital files should use Word (version 6 or higher) or WordPerfect (version 5.1 or higher) for text. If using Apple Macintosh, save as a PC format and use a high density disk. Please do not send Rich Text Format. Please provide a disk to accompany *only the final version* of your article after it has been accepted, not at any earlier stage.

When supplying a disk, make sure you label the disk with the word-processing package used and the version of the package. Please supply 2 hard copy print-outs with the disk. This should be identical to what appears on the disk. If there are last-minute changes marked only on the hard copy, please make it clear that these are not on the disk so that the typesetter knows to incorporate them.

Do not include any tables or figures in the main file. Either put these in a separate file after the main text file or provide them as hard camera-ready copy. Please also make sure your lay-out matches the journal style, as far as possible. Do not use automatic footnote programs for the biographical note at the foot of the title page of your article. It is the policy of this journal not to print footnotes or endnotes.

Manuscripts for '*European Forum*' should be sent to Professor Walter Kickert.*

ALL other manuscripts (and UK books for review) should be sent to Professor R.A.W. Rhodes.*

Authors should send 3 (three) copies of their manuscripts, typed, double spaced (including all references and quotations) on A4 paper including a separate title page and a 150-word abstract. The journal uses author-date references and does not print notes. A style sheet is available from the Managing Editor. Contributions for the new '*European Forum*' are welcome now.

All books for review (from *outside* the UK) should be sent to Professor Peter Bogason.*

*For full addresses refer to the inside front cover.